

Offshore centres' regulation under fire

Isle of Man and Channel Islands standards have been attacked by Brussels, reports Clay Harris

The European Commission's chief fraud-fighter yesterday accused the Channel Islands and the Isle of Man of having "lax regulation even by offshore standards", making them an ideal location for hiding illegal activities.

The secrecy afforded by Switzerland was also a problem for its European Union neighbours and a "boon to fraudsters". Mr Per Brix Knudsen, director of the Commission's anti-fraud co-ordination unit, told an International Financial Fraud Convention in London.

His remarks were publicly challenged by Ms Jannine Birtwistle, head of compliance at Credit Suisse (Guernsey) and a former regulator of the island. She said Guernsey's regulation had been favourably assessed by the Financial Action Task Force set up by the G7.

But Mr Knudsen's attack on offshore centres was echoed by Mr John Moscow, deputy chief of investigations for the New York district attorney's office.

After outlining a case involving the Cook Islands, a New Zealand protectorate,

Mr Moscow said: "There are jurisdictions which wish to earn their living protecting crooks."

Mr Knudsen, a Dane, said illicit entry of goods into the EU was alone costing member countries' treasuries Ecu5bn-Ecu6bn (\$6.3bn-\$7.6bn) in lost revenue each year. Smugglers' potential profit per lorry or container ranged from Ecu1m for cigarettes to Ecu100,000 for agricultural produce. The Commission unit was also focusing on fraud in the public sector.

Mr Moscow, whose cases included Bank of Credit and

Commerce International, said he was now investigating "a securities dealer in New York who stole in the region of \$20m-\$50m. He appears to have an account in the Cook Islands", whose law states that no court order can breach its banking secrecy.

"Under pressure from the civilised world," he said, traditional offshore centres were changing their laws, but other countries were now offering total secrecy.

Mr Moscow said: "Internal corporate secrecy is the first step towards large-scale

international fraud. Bank files have to be accurate and complete. That means you don't have one person who knows the identity and others who comply with subpoenas.

"Little things like the name of the borrower have to be correct. You can look at [BCCI's] files and not have a clue what happened. It would say: '\$100m loaned to borrower at your request.' Wow, you can kiss that money goodbye."

The convention was organised by International Conference Group.

exclusive to the European Union. This is a truly worldwide phenomenon." Money acquired illicitly was then hidden in "phantom entities in safe havens and offshore centres". Existing arrangements for international judicial co-operation were "old-fashioned and bureaucratic", Mr Knudsen said.

These needed to be simplified and streamlined, and national law enforcement agencies should integrate their efforts and introduce more specialisation.

Mr Moscow, whose cases included Bank of Credit and

US company ACNielsen agrees to end anti-competitive practices

EU market research row is resolved

By Roderick Oram, Consumer Industries Editor

The US market research company ACNielsen has agreed to end anti-competitive practices in the European market under pressure from the European Commission.

The company had been locked in a bitter dispute over European market research with Information Resources Inc (IRI) of the US, which cost the two companies some \$26m (\$41.75m) in losses in the UK alone last year.

IRI, which is also seeking \$1m in damages from Nielsen through the US courts, filed a complaint two years ago against Nielsen, which was recently spun off in a US stock market offering by its former parent, Dun & Bradstreet.

The Commission has won undertakings from Nielsen to desist from practices which it believed contravened the Treaty of Rome.

Until IRI began European operations in 1992, Nielsen had a virtual monopoly of buying sales data from supermarkets and other retailers and selling it to manufacturers of food, drink, personal products and other consumer goods.

IRI alleged that Nielsen had tried to prevent it establishing a European business by offering customers discounts of up to 30 per cent if they bought its services across Europe.

IRI argued, however, that data were almost exclusively analysed by country markets. "We should be charging a premium for integrating European data," said Mr Tim Bowles, IRI's president of European information services.

Nielsen has pledged to the

Commission it will unbundle its services and stop demanding exclusive contracts with retailers whereby they cannot sell their sales data to other market research companies. The undertakings will remain in place for three years, with Nielsen reporting periodically to the Commission.

The Commission said the undertakings were "very significant". They would increase competition in the market for retail tracking services.

They also marked a further step in anti-trust co-operation between Europe and the US. The Commission had also investigated Nielsen on behalf of the US department of justice.

"We are delighted to put this matter behind us," said Mr Nicholas Trivisonno, chairman of Nielsen. The practices "were not material to ACNielsen, nor were they part of any anti-competitive scheme". The company had stopped them after the Commission had delivered its statement of objection to them in May.

"All we wanted was a level playing field," said Mr Bowles of IRI, which has about 85 per cent share of the retail tracking market in the UK, with the balance held largely by Nielsen. It is also building up operations elsewhere in Europe.

IRI said it had lost £12m last year in the UK. Company House records show Nielsen lost £12m on turnover of £45m in its UK market research operations in the year to November 1996.

One factor IRI pointed to was the sharp escalation in fees Nielsen paid to retailers to try to keep IRI out of the market. Typically UK fees are about six times those paid in France.

Fischler proposes European-type FDA

By Caroline Southey in Brussels

Mr Franz Fischler, the European Union's agriculture commissioner, yesterday called for changes in the way the Union handles diseases such as bovine spongiform encephalopathy, or mad cow disease, citing as a model the US Food and Drug Administration.

He told the European parliament's inquiry into the EU's management of BSE that mistakes had been made in the response to BSE since the first suggestions in 1986 that it posed a threat to consumers. He blamed the mistakes on inbuilt weaknesses in the EU's "model" of managing public health issues.

He said the FDA regime was "one example of a body that commands public respect". The agency, which is charged with protecting

the public against unsafe foods, drugs and other potential hazards, is an independent federal body with law-enforcing powers.

The parliamentary inquiry, which has heard evidence from over 20 witnesses, has unearthed evidence of mismanagement and oversight on the part of the Commission, member states and their representatives on the standing veterinary committee.

The report, due in mid-January, is expected to call

for changes in the way the EU manages consumer protection.

Mr Fischler told the inquiry that decisions taken at EU level in response to the spread of BSE "were correct. But the implementation and control were not as they should have been".

However, he emphasised that the responsibility for implementing measures to control BSE rested primarily with member states.

"What means do we have to

meet their obligations? Should we not be thinking of new instruments?" he asked.

Mr Fischler identified weaknesses in the EU's public health regime. These included uncertainty over whether responsibility for protecting human health rested with member states or with the Commission and whether "specialist" committees, such as the standing veterinary committee, charged with advising the Commission on health and

safety issues, were sufficiently independent.

A further weakness is that public health is the responsibility of two departments in the Commission - agriculture and social affairs. The Commission, in an internal and secret inquiry conducted last year, found that there was little communication between departments, that officials relied on informal contacts and that there was a lack of control and co-ordination of key health dossiers.

Summer target set for EU gas accord

By Neil Buckley in Brussels

European Union energy ministers yesterday set next summer as a target for agreement on allowing large gas consumers to shop around for supplies, but could not hide deep divisions on important issues.

It was their first discussion on liberalising the EU gas market since June's hard-fought agreement on opening up the electricity market.

"I am confident there is a political determination to get a directive in the short, rather than medium or long term," said Mr Emmet Stagg, Irish energy minister, who chaired the meeting. But, while no state voiced outright opposition, months of bargaining lie ahead over the extent to which the market should be liberalised, and who will be eligible to shop around for gas.

Another key issue is how to deal with distributors holding long-term supply contracts with producers. They could find themselves paying for gas they cannot sell if their customer base shrinks as a result of competition. Little progress was made yesterday on these "take or pay" contracts, the industry's biggest concern. The complexity of these issues could dash hopes of agreement by next summer.

As in the electricity market, large gas consumers want the stranglehold of national gas monopolies broken, claiming this could knock millions of dollars off their bills.

But EU states are divided between those such as Britain and Germany, which want a rapid, substantial market opening, and those, such as France, which favour a more gradual approach.

Ministers agreed broadly on three important issues yesterday. They approved the principle that EU states can impose public service obligations on gas operators; on prices and quality, and environmental issues and security of supply, though differences existed on how flexible these obligations should be.

They also agreed that the accounts of gas operators' production and transmission activities should be separated to prevent cross-subsidy and to ensure competitors are charged a fair price for access to transmission networks.

Ministers accepted member states could choose between two models of granting access for new market entrants to gas transmission networks - free negotiation between the new entrant and the network operator, or "regulated access" on

the basis of common rules.

They made little headway on the extent or mechanics of market opening. France warned that the vast differences in EU gas markets might make it impossible to agree "quantitative" percentage openings, as in the electricity market. "Qualitative" criteria, such as allowing competition to certain types or sizes of gas user, might be necessary.

David Buckan adds: Half France's 140,000 gas and electricity workers went on strike yesterday in protest at the proposal to liberalise the EU gas market put to energy ministers in Brussels yesterday. A government statement promised France would defend its "public service à la française" in gas as it has for electricity.

France has persuaded its partners to agree that liberalisation of electricity should be partial and phased in.

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Bosnia aid hinges on compliance with Dayton accord

By Laura Silber in Belgrade, Bruce Clark in Lisbon and Anthony Robinson in London

Bosnia's suspicious ethnic communities will be told they must prepare to take responsibility for their own fate as Croat-Muslims and Bosnian Serbs meet foreign donors of aid and military assistance in London today. They should be under no illusion. The international community is not prepared for an indef-

inite, Cyprus-style intermediary role," British officials said on the eve of a two-day conference in London. On the agenda is next year's targets for further implementation of the economic, security and institutional aspects of last December's Dayton peace agreements.

Nato has already agreed to maintain a reduced 31,000-strong force until the original 110,000 implementation force next year, and an aid-pledging conference

is scheduled early in 1997. But today, Bosnia's Serb, Croat and Moslem communities will be told that access to aid for rebuilding Bosnia's shattered economy will be conditional on governments fulfilling the obligations they accepted at Dayton.

Republika Srpska, the Serbian entity, has received a fraction of the aid received by the Croat-Muslim federation this year because of its reluctance to allow refugees to return, and its

refusal to hand over indicted war criminals or comply with other Dayton provisions. But the record of the federation government has been only marginally better, and then mainly because of the greater presence on the ground of foreign diplomats, soldiers and aid agencies.

Foreign governments, aid agencies and soldiers fear that the post-Dayton separation of forces created an armed truce but will be insufficient to keep

the peace without faster progress in economic reconstruction. This is being co-ordinated by the World Bank, the IMF and the European Union. The British government's Overseas Development Agency, acting closely with the British Army, has been one of the main forces behind the economic regeneration effort, implementing 600 projects.

But there is little sign that Bosnia's main communities - Serbs, Croats and Moslems - are

prepared to abandon their conflicting visions of Bosnia's future or co-operate in projects of mutual benefit.

The civilian side of implementation has been headed by Mr Carl Bildt, the former Swedish prime minister. In Lisbon yesterday he brushed aside speculation that he intended stepping down, adding that the London conference was likely to upgrade and extend for two years the post of "high representative" of the

international community.

Today's conference will concentrate on Bosnia but takes place against the background of daily street protests in Belgrade against Mr Slobodan Milosevic, the Serbian president, and doubts about the health and longevity of Mr Franjo Tudjman, his Croatian counterpart. Both men promoted the war of Yugoslav succession but have been seen up to now as guarantors of the Dayton accords.

EUROPEAN NEWS DIGEST

Lagardère set for go-ahead

The Lagardère group's purchase of Thomson, the French state-owned defence and consumer electronics holding company, is expected to be cleared today by Mr Karel Van Miert, the EU competition commissioner. He is also likely to give the all-clear to Daewoo of Korea to buy the consumer electronics division, Thomson Multimedia. However, Brussels is likely to attach tough conditions to approval of a FF11bn (\$2bn) capital injection from the French government to Thomson to reduce part of its FF725bn debt. A decision on this part of the deal is not likely before the middle of the month, by when Mr Van Miert will have had to decide whether the aid will be used purely for restructuring, in which case it is permissible under the EU treaty.

Emma Tucker, Brussels, and David Owen, Paris

Greek farm protest widens

Greek farmers threw up more road and rail barricades yesterday, causing transport chaos for a sixth day. Their action, backed by some 6,000 tractors, is in support of demands for lower fuel prices and value added tax on equipment, higher farm subsidies, and the rescheduling of \$1.3bn in debts with state banks. Queues of international and domestic lorries grew at more than 25 blockades of main roads around the country.

It is the first challenge to the economic policies of Mr Costas Simitis, the prime minister, since his Socialist party won September's general election. Mr Simitis, whose priority is meeting the European Union targets for economic and monetary union, has ignored calls by the farmers for a meeting.

Reuters, Athens

Threat to Belgian aid

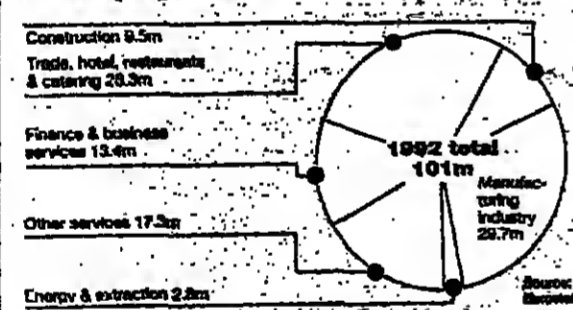
Mr Karel Van Miert, EU competition commissioner, said yesterday he would ask the Belgian government to recover some BF11.4bn (\$360m) of state aid paid as part of a government scheme to help companies most exposed to international competition. A formal decision ruling the aid illegal is expected today.

The aid, paid under the "Operation Maribel" scheme, was given in the form of lower social security contributions and lighter labour costs. The government will have two months to decide how to recover the aid. However, Mr Van Miert said companies with 20 workers or less could keep aid of less than BF4m, paid over three years, as such amounts could not be judged to have distorted competition.

Emma Tucker

Half of jobs in small business

EU employment



Around 89 per cent of businesses in the EU employ fewer than 50 people but account for half of all employment and nearly half of total turnover, a report from Eurostat, the EU statistical office, said yesterday. Large concerns employing more than 250 people are responsible for 34m jobs, a third of the total.

Some 40 per cent of EU enterprises are involved in the wholesale and retail trade and hotels, restaurants and catering. Finance and business services account for 15 per cent; manufacturing and construction each account for around 13 per cent.

Foreign Staff

Dutch drugs to go by post

Curemark International of Illinois has signed an agreement with the Dutch health insurer Zilveren Kruis Group to provide postal distribution of prescription drugs for 2.5m people covered by Zilveren and its four affiliated companies. The deal is said to be Europe's first US-style prescription benefit management (PBM) scheme. PBMs in the US manage drug purchasing and distribution for clients such as health insurers and have grown rapidly as part of the effort to control costs.

Daniel Green, London

Serbs shut radio stations

Serbia closed an independent Belgrade radio station yesterday to halt its live reporting of the 16 days of opposition demonstrations aimed at ousting President Slobodan Milosevic.

Radio B-92 said the communications ministry had ordered it to stop broadcasting, while 50,000 students and opposition supporters took to the streets of Belgrade again in protest against election rigging by the ruling Socialists.

Radio Index also disappeared from the air as the authorities cracked down on the independent media, and state media accused the demonstrators of fomenting violence and "terrorism". Staff at Radio Index could not immediately be reached but Radio B-92 said the ministry had removed its frequency. The radio suffered frequent jamming during earlier demonstrations.

Reuters, Belgrade

Madrid trims company tax

Spain's governing centre-right Popular party has introduced a tax cut for small companies into the 1997 budget, currently going through parliament. The measure is expected to make a dent of at least Ptas20m (\$155m) in the government's financial calculations for the year, in which it is aiming to meet the budget deficit target for joining the European single currency in 1999.

The move is a response to a corporate tax reduction by regional authorities in the Basque country, using their fiscal autonomy to set a lower 32.5 per cent rate on company profits compared with a standard rate of 35 per cent. The Basque initiative is contested by the central government, and has provoked anger in other regions.

The PP proposal promises a special lower rate of 30 per cent for the first Ptas15m of profits earned by small companies with annual sales of less than Ptas250m.

David White, Madrid

Greece tries to plug its leaky tax system

The Greek government's campaign to update its eccentric taxation system has ended an ancient tradition of tax breaks for almost 300 special interest groups: from mothers of large families to Olympic gold medalists.

The finance ministry says the measures will bring in only Dr150bn (\$20m) next year but claims this figure could rise to as much as Dr700bn yearly as details of other tax allowances are unearthed from the archives. To avoid a political outcry, many changes were slipped into laws on unrelated topics during their final reading and approved in late-night sessions of parliament.

There are probably about 800 categories of allowances altogether, but to find them you'd have to examine every law passed in the past 60 years because the finance ministry never made a list," says an economist at Kepe, the state planning institute, which prepared a study of tax allowances for the finance ministry. Modernising the tax system is part of the Socialist government's effort to lower the budget deficit and eventually qualify for European monetary union. Mr Yannis Papantoniou, economy minister, last week presented to parliament a budget for 1997

which aims to reduce the deficit from 7.6 per cent of 4.2 per cent of gross domestic product. Savings of Dr1,000bn will be required to achieve this target, though most of the gain is projected to come from higher tax revenues.

Most of the tax breaks accumulated under Greece's pervasive patronage system as special interest groups exploited their connections with senior politicians. In return for concessions from the finance ministry, they were expected to deliver blocks of votes.

As late as 1990, the Greek journalists' union persuaded Mr Constantine Mitsotakis

that his government would receive more positive coverage by guaranteeing journalists a tax deduction. It helped that, as an impoverished young politician on Crete, Mr Mitsotakis used to write and publish his own newspaper.

The finance ministry granted other allowances in self-conscious imitation of classical Greece, where city states would reward mothers for producing a clutch of sons and give lifetime benefits to athletes who triumphed at the ancient Olympic Games.

One sought-after privilege was importing a luxury car tax-free, enjoyed by MPs and

a few other groups. Among them were ethnic Greek immigrants from the former Soviet Union, who would arrange to hand over the tax-free Mercedes they could not afford to a well-connected Athenian in return for a cash payment.

The Socialists claim that abolishing tax privileges will mean sharing the fiscal burden more equitably. Government officials have been quick to point out that judges, singers and ships' officers (sometimes ship-owners as well) would also lose their special allowances.

However, the government was forced to make some last-minute compromises.

MPs will keep their car privilege for another year so that 50 newcomers elected last September can take delivery of their vehicles.

Greece's four gold medalists from the Atlanta Olympics, who quickly acquired the status of popular heroes, will also be allowed a year's fiscal breathing space.

Nor have the mothers been forgotten. In response to vociferous complaints, Mr Costas Simitis, the prime minister, announced that the loss of their tax-free pensions would be compensated for by increased allowances for each child.

Kerin Hope

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NEWS: EUROPE

Russia's miners strike over late pay

By John Thornhill in Moscow

Russia's coalminers yesterday claimed to have shut down 161 of the country's 189 mines as they started an indefinite national strike to protest at delayed wages.

Mr Vitaly Budko, chairman of the main coalminers' union, said 80 per cent of Russia's 500,000 miners were pursuing strike action to demand the government's resignation. He said some miners had not been paid since June.

"Resignation of the government is not our aim, it is our cry of despair, to make them negotiate with us," Mr Budko said.

Russian news agencies reported that Mr Victor Chernomyrdin, the prime minister, would visit the strike-torn Kuzbass region on his return from the summit meeting in Portugal of the Organisation for Security and Co-operation in Europe in an attempt to defuse the crisis.

More than 150 workers at the Leningrad nuclear power plant also went on strike yesterday over wage arrears and other worker protests took place across the country.

Wage arrears in the economy have snowballed since the presidential elections in July and are expected to reach Rb50,000bn (\$9bn) by the end of the year. A severe shortfall in tax revenues has forced ministries to freeze many of their spending programmes in a desperate attempt to stick to this year's target budget deficit.

Coalminers have resorted to strikes in the past but their protests have normally fizzled out after a few weeks. Divisions between unions and coalmining regions have undermined the miners' collective strength.

A mission from the World Bank arrives in Moscow today to review the second tranche of a \$600m support loan to the coal industry.

Setback for German recovery

By Peter Norman in Bonn

German industrial production fell in October for the second consecutive month, prompting fears that the country's fitful economic recovery might be heading for another pause.

Financial markets, however, shrugged aside yesterday's gloomy news. Drawing on the dollar's strength for inspiration, they pushed blue chip equities to a record high while long-term interest rates - as measured by the Bundesbank's average of public bond yields - fell to an historic low.

The Dax index closed 47.30 up at 2,900.76. The average bond yield fell to 5.02 per cent from 5.05 per cent.

A 3.6 per cent rise in exports in the nine months to September and an upbeat forecast of 3 per cent industrial production growth next year from the Ifo economic research institute indicated that Germany is still some way from recession, despite a separate warning of record bankruptcies this year and next.

According to the economics ministry, overall industrial production in October dropped by a provisional, seasonally adjusted 1.3 per cent from September after a 0.6 per cent fall the previous month.

Although the scale of September's decline was revised from the unexpectedly sharp 1.5 per cent drop reported a month ago, output in October and September combined was 1.5 per cent lower than in July and August and only 0.2 per cent higher than in September and October last year.

Mr Stephen King, chief

European economist of HSBC James Capel in London, said the October production figures were well below market expectations, and suggested the industrial recovery which started earlier this year had stalled.

"The combination of weak industrial data and rising unemployment suggests that fully fledged recovery is still not in the bag," he said. "However, a relapse into recession is unlikely given the continued strength of the Ifo survey and, in particular, the continued improvement in the inventory position."

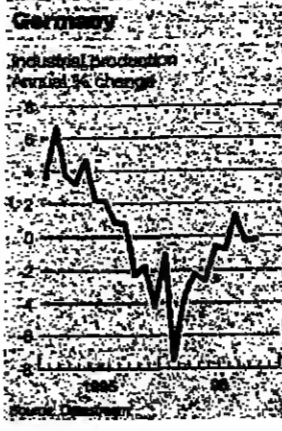
The Munich-based Ifo institute yesterday predicted output in manufacturing industry growing to 3 per cent next year from 1 per cent in 1996, and was especially bullish about prospects for the office machinery, iron and steel, vehicle building and electrical machinery sectors. However, it warned that industry would play no part in cutting Germany's 4m registered unemployed.

Ifo and Germany's other leading economic research institutes expect the economy to grow next year by 2.5 per cent. But Creditreform, the association of German credit research companies, said such growth would not prevent a rise in business insolvencies to a new high of 24,500 next year from a forecast record of 26,500 this year.

Contrasting with the depressed domestic economy, Germany's export business has continued to prosper. The visible trade surplus rose to DM8.5bn (\$6.4bn) in September from DM7.6bn a year earlier,

reflecting a 0.2 per cent rise in exports at the same time as a 0.2 per cent decline in imports. The current account deficit was cut to DM2.6bn in September from DM2.4bn in September 1995.

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Stark home truths of a stability pact

The blank expression on the face of Mr Jürgen Stark, Germany's deputy finance minister, spoke volumes late on Monday night.

Exhausted at the end of a 12-hour meeting of European Union finance ministers in Brussels, Mr Stark's goal was to get home fast. "Where are the cars?" he demanded. "Where are the cars?"

It had been a tough day for the Germans. Virtually isolated over their demands for steep and automatic fines against countries running excessive deficits in the planned single currency zone, they spent much of the day beating a tactical retreat.

At the heart of the talks on the German-backed budget stability pact is how to punish countries which run up deficits in excess of 3 per cent of gross domestic product after joining monetary union.

Ministers agreed on the size of eventual fines against fiscal delinquents, ranging from a minimum of 0.2 per cent of GDP and a maximum of 0.5 per cent of GDP. They also agreed that politicians should have the last word on whether to impose these fines.

Two issues are outstanding. The first is how to define the Germans' satisfaction the "temporary and exceptional" circumstances which would allow a country to escape penalties.

Mr Theo Walgal, Germany's finance minister, initially proposed a 2 per cent drop in output over four consecutive quarters, but on Monday he shifted down to a decline of 1.5 per cent in output. This moves Bonn close to the "Wicks Box" - the compromise proposal put forward by Sir Nigel Wicks, the senior UK civil servant who presides over the EU monetary committee.

The committee has proposed that all countries that suffer an annual fall of 0.5

per cent of GDP should be presumed guilty of running an excessive deficit and face punishment. A "grey zone" covering falls in GDP ranging from 0.5 per cent to 2 per cent would be left to ministerial discretion, bearing in mind a country's record in fiscal discipline and its prospects for recovery.

The second issue turns on the role of the European Commission. Germany is uneasy about the Commission's monopoly right of initiative which allows it to decide whether to set in train the excessive deficit procedure. Thus, Bonn first

Ministers agreed on the size of fines against fiscal delinquents, starting at 0.2 per cent of GDP

sought to move the whole process out of the EU framework and make it a matter between countries taking part in Emu. But other countries suspected a German plot to build a "Community within a Community". Mr Jacques Santer, president of the Commission, also protested.

The Irish presidency is pinning hopes of a deal on the Franco-German summit next Monday in Nuremberg, followed by a session of the monetary committee and a special EU finance ministers' meeting on the eve of the EU summit in Dublin on December 13-14. The odds must be on a deal, though German suspicions about political discretion polluting the economics of Emu remains as strong as ever.

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Lionel Barber

French MPs act on bank crisis

By Andrew Jack in Paris

The French parliament is to conduct an inquiry into the country's banks, the latest in a series of moves likely to shake up the sector significantly.

France's banks are in a crisis unrivalled since the end of the second world war, according to Mr Michel Péricard, leader of the Gaullist RPR group.

Two investigating judges have just been appointed to inquire into allegations of fraud and false information in the accounts of Crédit Lyonnais, the troubled state-owned bank during 1990-93. Mr Jean Arthus, the economics and finance minister, said in August that he had asked the justice ministry to determine whether action should be brought against former directors of the bank.

Mr Péricard said yesterday that the decision to establish the parliamentary inquiry had been taken before the latest appointments. But he cited Crédit Lyonnais (currently negotiating a new restructuring package with

the government), CIC bank (whose privatisation was recently called off) and Crédit Foncier de France (subject to a government takeover) as examples of the crisis in banking.

French banks not only faced the pressures of the globalisation of the capital markets, but also inflexible labour laws, and "collusion" between civil servants and the executives of large banks which "safeguarded neither the efficiency nor transparency" of choices made in the sector.

His comments echo the Senate's controversial report last month which called for sweeping reforms, including removal of a series of anti-competitive practices and inflexible legislation, and modification of the statutes of the Caisse d'Épargne savings bank.

Separately, Mr Alain Juppé, the prime minister, is considering appointing an independent figure such as Mr Dominique de La Martinière, author of a report earlier this year on tax reform, to examine the sector.

OSCE agrees wider role as veto threat subsides

By Bruce Clark in Lisbon

A 54-nation summit agreed yesterday to work towards a new security system in Europe after a last-minute compromise in a row involving Armenia and Azerbaijan which threatened to derail the meeting.

Heads of government from North America, Europe and the former Soviet Union issued a mildly worded final statement on the promotion of "security and stability" in Europe which Azerbaijan had threatened to veto.

Member states of the Organisation for Security and Co-operation in Europe also pledged to boost the OSCE's efficiency as an instrument for preventing conflicts in partnership with other security bodies such as Nato and the Western European Union.

But the Azeri veto was lifted only after the OSCE's Swiss chairman, Mr Flavio Cotti, agreed to read out a statement regretting Armenia's refusal to accept a compromise proposal on the future of Nagorno-Karabakh.

Azerbaijan had earlier insisted that the final communiqué must include an explicit reference to the solution of the Karabakh problem on the basis of self-rule for the enclave under Azeri jurisdiction - an idea endorsed by an OSCE-sponsored mediation effort known as the Minsk group.

Armenia's President Levon Ter-Patrosyan rejected this proposal on the grounds that it would pre-empt the solution of the eight-year-old conflict, which has cost 20,000 lives.

Diplomats said the tough stance by Azerbaijan, a mainly Moslem nation of 7m people which has signed oil contracts worth billions of dollars since gaining independence five years ago, was one of the big surprises of the Lisbon meeting.

They said the Azeri tactics reflected the growing self-confidence of President Heydar Aliyev, a veteran of Soviet politics who served in the Moscow Politburo but has kept his distance from Russia since gaining power in 1993.

There was deadlock on Monday after Azeri officials insisted that the Lisbon summit's final conclusion must include a clear affirmation of the territorial integrity of Azerbaijan. Armenian officials complained that the OSCE's Swiss presidency was making last-minute changes under Azeri pressure. They insisted that any settlement must enjoy the assent of Karabakh's ethnic Armenian leaders.

Diplomats said relations between Azerbaijan and Armenia, which have observed a ceasefire since 1994, took a turn for the worse last month when a dialogue about a possible joint approach to the Lisbon summit broke down.

Mr Malcolm Rifkind, the UK foreign secretary, affirmed Britain's commitment to the integrity of Azerbaijan but expressed regret that it had broken off talks with Armenia.

President Aliyev strongly denied that his country had broken off bilateral contacts with Armenia and said he expected them to continue.

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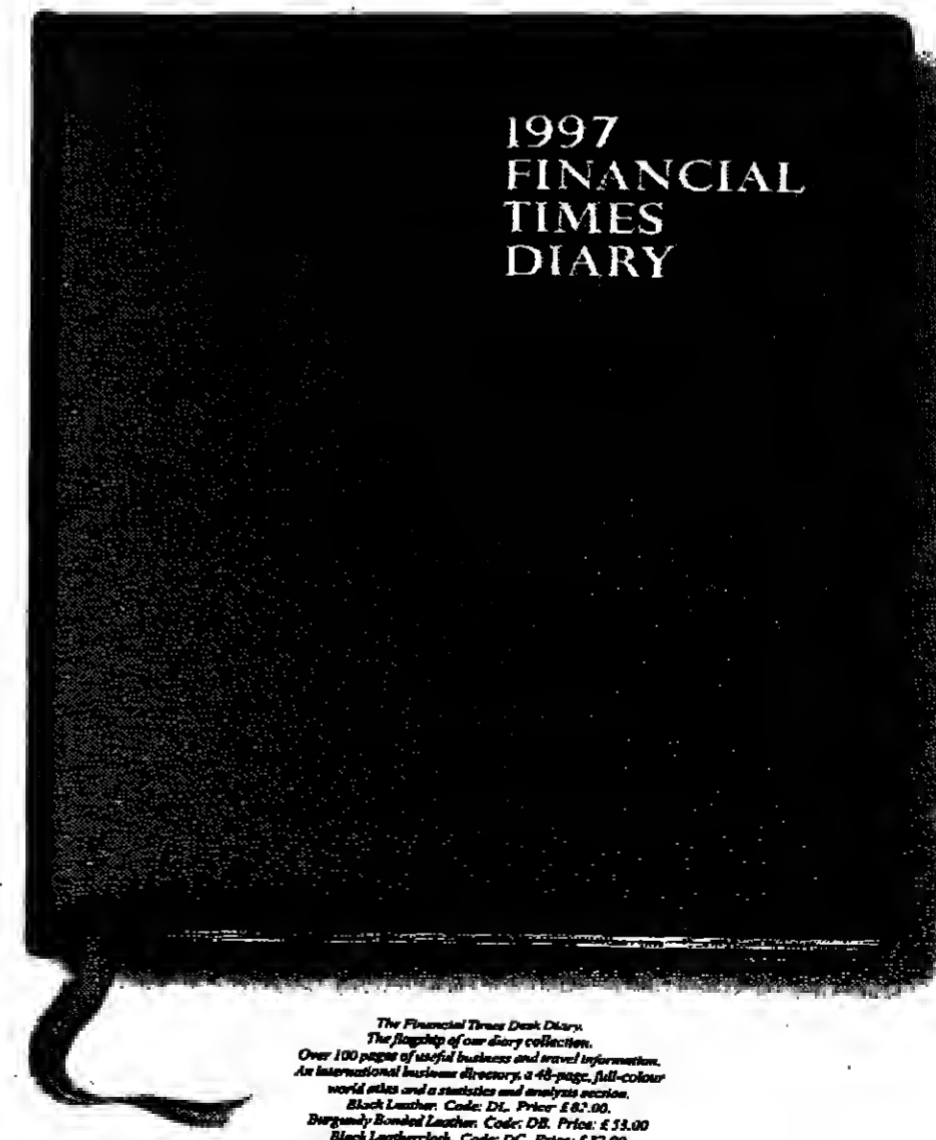


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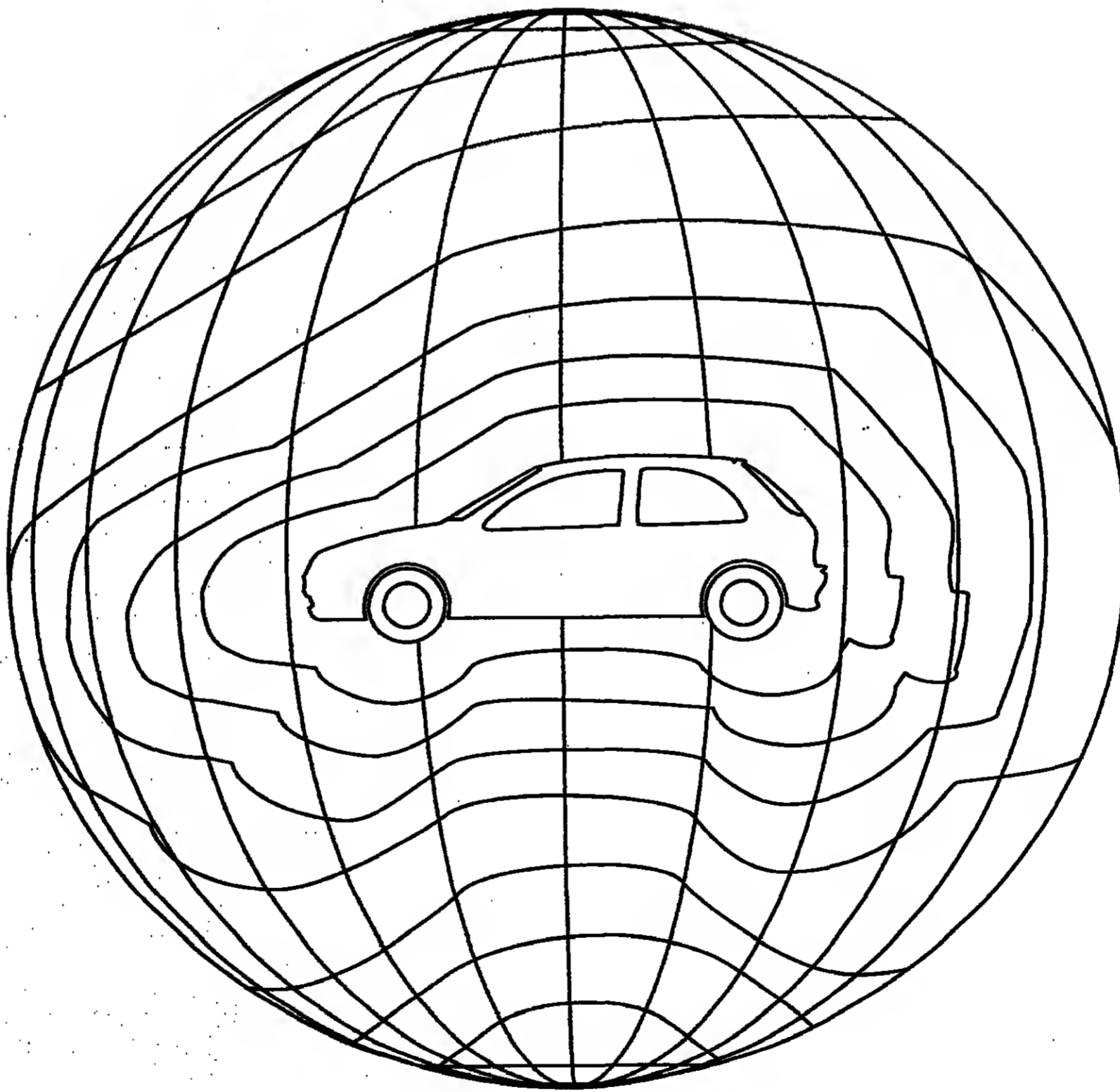
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AMERICAN NEWS DIGEST

Four on price fixing charges

A federal grand jury in Chicago yesterday charged three former top executives of Archer Daniels Midland with price fixing in the \$600m annual market for lysine, an animal feed supplement. A Japanese executive for Ajinomoto was also charged, while Chell Jedang, a South Korean company, agreed to plead guilty and pay a \$1.25m fine for its role in the scheme.

The charges are the first in a two-year investigation of ADM's pricing practices in world markets for lysine, citric acid and corn syrup. ADM pleaded guilty in October to price-fixing charges and agreed to pay a record \$100m criminal fine and co-operate with any further government prosecutions.

Ajinomoto and two South Korean companies - Kyowa Hakko Kogyo and Sewon America - also pleaded guilty and agreed to pay fines earlier this year, avoiding trial. The four executives indicted yesterday were not protected by those settlements. They are Mr Michael Andreas, ADM's executive vice-president and son of company chairman Dwayne Andreas; Mr Terrance Wilson, former president of ADM's corn processing division; and Mr Mark Whitacre, former president of ADM's bioProducts division, who acted as a government informant in the case.

Mr Kazutoshi Yamada, managing director of Ajinomoto and a resident of Tokyo, was also charged. If the cases proceed to trial, secret video tapes of meetings where price-fixing was allegedly discussed could be introduced as evidence. ADM issued a statement of support for Mr Wilson and Mr Andreas. *Laurie Morse, Chicago*

Bloc Quebecois leader quits

Tensions in the Bloc Quebecois, the party representing Quebec separatists in the Canadian parliament, have burst into the open with the resignation of Mr Michel Gauthier, the BQ's leader. Mr Gauthier, who held the job for only nine months, is also leader of the official opposition in the House of Commons, the BQ having captured 54 out of 295 seats in the 1993 general election. The BQ has struggled since the departure last year of its charismatic founder, Mr Lucien Bouchard. Now premier of Quebec, he has undercut the BQ's raison d'être by playing down the drive for independence in favour of deficit-cutting and other economic issues. Although the BQ remains the most popular federal party in Quebec, support for the Liberals, led by Mr Jean Chrétien, prime minister, has gradually risen. Mr Gauthier will remain at the helm until next March. *Bernard Simon, Toronto*

Fraud convictions overturned

The legal battle that followed the collapse of the US savings and loan industry in the late 1980s has reopened with the overturning of more than 70 convictions for fraud and racketeering made against Mr Charles Keating, former head of the Lincoln Savings and Loan Association, in 1993.

Ms Mariana Pfelzer, the federal judge who sentenced Mr Keating in 1993, ruled on Monday in a Los Angeles hearing that his convictions were tainted because three of the 12 jurors in the case knew about a previous conviction against him. Total losses to taxpayers from the collapse of Lincoln, which had invested in high-risk land, hotel and securities deals, were estimated by the government at \$1.4bn. Mr Keating's earlier conviction, for swindling elderly investors, was made in 1991, and overturned in April this year because of errors in the judge's instructions to the jury. Mr Keating yesterday said he was "delighted". *John Authers, New York*

MasterCard sues Amex

MasterCard International, the card association, yesterday stepped up the legal battle over attempts by American Express, its competitor, to build relationships. It sued both Advanta, a Pennsylvania-based bank, and American Express, claiming that a promotion which offered American Express loyalty bonus points for purchases made with MasterCard cards infringed its trademark. American Express, which has changed its long-term strategy of direct sales in recent months in favour of trying to work through banks, described the move as "anti-competitive".

It has already successfully taken on Visa in legal actions over its right to do business with banks in the EU and Latin America. *John Authers*

US indicators show moderate growth

By Gerard Baker in Washington

Fears the US economy might be entering a fresh phase of accelerating growth were dampened yesterday with the publication of two reports suggesting the expansion remains moderate.

The index of leading economic indicators, published by the Conference Board, a private sector research group, nudged upwards in October. The index, a good predictor of economic conditions in six to nine months' time, rose by 0.1 percentage point to 103.6. It was the

ninth consecutive month in which the index has increased, and followed a revised 0.2 percentage point gain in September.

The report measures a range of indicators that point to the future pace of economic activity. Sparp increases in equity prices and a faster rate of new orders for consumer goods were the principal factors behind the increase in October, but there was also steady growth in commodity prices and order backlogs, while unemployment benefit claims fell. The only weak spots were a shorter factory working week, fewer orders

for new plant and equipment and reduced applications for building permits.

The Conference Board's indices of coincident and lagging indicators both fell in October, reflecting the slowing of demand in summer and autumn.

Meanwhile, the Commerce Department reported a big drop in new home sales in October. Sales fell to a seasonally adjusted annual rate of 714,000, a decline of 8.7 per cent from the previous month, the sharpest fall in seven months. That followed a downward-revised 4.5 per cent decline in September. All regions of the

country reported falls.

But both reports suggest the economy continues to enjoy a moderate rate of expansion in the final few months of the year, with little risk of inflation. The fall in new home sales represents a cooling-off from rapid growth in demand earlier in the year while the index of leading indicators points to a continuing gentle rate of growth.

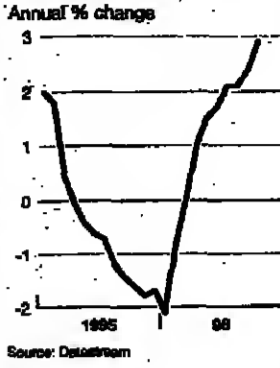
Gross domestic product grew at an annual rate of 4.7 per cent in the second quarter, setting off alarms that growth might prove unsustainable. But the rate slowed to 2 per cent in the July to

September period, more in line with the economy's long-run potential.

That deceleration was sufficient to dissuade the Federal Reserve from raising interest rates over the last three months. Most indicators so far in the final quarter of the year suggest the slower pace is continuing, placing no pressure on the central bank to tighten monetary policy at the next meeting of its policy committee in two weeks.

Fears persist that rapid growth in consumer spending could put upward pressure on prices and much attention in the next month

US Index of Leading Economic Indicators



will focus on the performance of retail sales.

President Zedillo sacks his chief law enforcement officer after a series of embarrassing leaks

Setback for Mexican drive on judiciary

When President Ernesto Zedillo appointed his attorney general from an opposition party on taking office two years ago he was underlining a commitment to an independent judiciary.

The sacking on Monday night of his chief law enforcement officer following a series of setbacks and embarrassing leaks in the investigation of two prominent political assassinations is a blow to that commitment.

Mr Antonio Lozano Gracia was the only member of the opposition National Action party (PAN) in Mr Zedillo's cabinet, and it turned out to be a controversial appointment. Mexico's ruling party bitterly resented the loss of such a prominent post to an opposition figure: the attorney-general is also the country's top anti-narcotics officer. From the outset, Mr Lozano was subjected to smear campaigns and weekly protests outside his offices

by members of the Institutional Revolutionary party (PRI).

Mr Lozano was replaced by Mr Jorge Madrazo Cuñillar, an independent lawyer who headed the government's Human Rights Commission. Mr Madrazo has earned a reputation for thoroughness, particularly after exposing doctored video-tapes which attempted to cover up police involvement in a peasant massacre in the state of Guerrero last year.

Mr Lozano's dismissal on Monday appears to have caught both him and Mr Felipe Calderón, the PAN leader, off-guard. But given the distrust Mr Lozano provoked within the PRI, it did not altogether come as a surprise.

Mr Calderón said Mr Lozano's dismissal was typical of Mr Zedillo's "insensitive, disorderly and inopportune" handling of government affairs. He praised Mr Lozano for his efforts to root out corruption within the crime and anti-nar-



Zedillo: unhappy outcome

otics squads under his command. Government officials denied Mr Lozano's dismissal had been prompted by party political considerations ahead of Mexico's mid-term elections next year. They said Mr Lozano was fired for incompetence.

"It was not only the meagre results in the murder investigations," a senior government official said. "The constant leaks to the press caused a lot of damage. They undermined Mexico's image abroad."

Mexico, the official said, had lost important extradition cases because of the attorney-general's shoddy legal work. Incompetence had also allowed several fugitive bankers and businessmen, wanted in Mexico for multi-million dollar frauds, to evade extradition. "The president expects a better handling of the business of the attorney-general's office," he said.

general, was also murdered in broad daylight outside a Mexico City hotel.

Mr Lozano failed to unravel either case. His prosecutors tried to prove Mr Colosio's murder was the product of a conspiracy, but saw their cases against several suspects collapse in court. Four successive special prosecutors have now handled the Colosio investigation, with no visible results except the imprisonment of one confessed gunman.

The inquiry into the murder of Mr Ruiz Massieu, which led to the arrest on murder charges of Mr Raúl Salinas, the elder brother of former president Carlos Salinas, has also floundered from lack of hard evidence.

Mr Pablo Chapa Bezanilla, the special prosecutor in the Ruiz Massieu case, was also fired on Monday amid allegations he had tampered with evidence and coaxed witnesses to bear false testimony.

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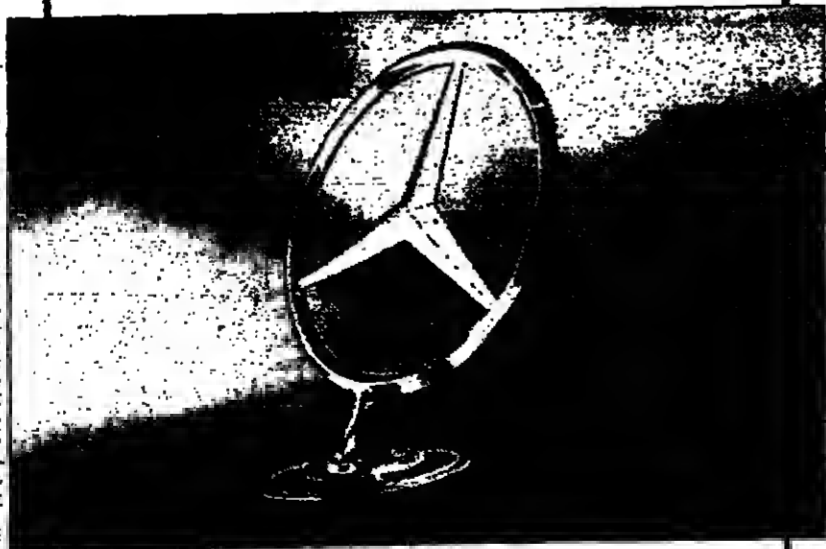
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NEWS: INTERNATIONAL

Africans join the scramble for UN top job

Clutch of candidates emerge as OAU abandons support for Boutros Ghali

By Michael Littlejohns, UN Correspondent in New York

Mr Boutros Ghali was pressed to the exclusion of others.

The decision of the Organisation of African Unity to abandon its exclusive backing for Mr Boutros Ghali as its candidate for secretary-general of the United Nations has opened the field to other African candidates.

What appears to be shaping up is a fierce contest not only among individuals but also between the US and France. The Sorbonne-educated Mr Boutros Ghali was the candidate of his socialist friend President Francois Mitterrand five years ago.

While the OAU backed the reappointment of Mr Boutros Ghali, who was vetoed by the US a fortnight ago, other African aspirants had been unable to let their names go forward.

Half a dozen of them, perhaps more, are waiting for an opportunity to make their bid. The OAU move was motivated by fears that Africa risked losing the top UN job if the case for reappointing

Although candidates from all parts of the world are still in the running, Africans believe it is their turn to provide a secretary-general as every other region has had at least two turns at the job.



Amman: career official



Salim: reluctant



Machel: uninterested

The problem is that no candidate wants to be seen as too much of a favourite of any particular major power, especially not the US, which has gone out of its way not to propose anyone or even indicate any preference.

However, two potential candidates among those most often mentioned are believed to find favour in Washington. They are Mr Kofi Annan of Ghana, a

career UN official who heads peacekeeping operations; and Mr Olara Otunnu, a former chief delegate of Uganda and now a citizen of the Ivory Coast who is serving as president of the New York-based International Peace Academy.

As president of the Security Council in 1971, Mr Otunnu devised an ingenious formula for breaking the deadlock after China

used its veto 16 times to block the reappointment of Mr Kurt Waldheim. Mr Otunnu determined through a straw poll that Mr Javier Pérez de Cuéllar of Peru could win. He was duly appointed and Mr Paolo Fulci, the council's Italian president, may well repeat the device in the next few days.

In the meantime, more than 40 African heads of

state will have met in Burkina Faso under the auspices of President Jacques Chirac of France, who is desperately eager to retain the UN post for an official fluent in French.

Britain, however, is among members making the case that since a francophone African has had five years there is no reason why fluency in French should be obligatory for any successor from a multilingual continent.

The French are said to be satisfied with Mr Amman's linguistic credentials and Mr Otunnu is also thought to be acceptable. But Mr Amara Essy, foreign minister of the Ivory Coast, is a declared candidate, making it difficult for his adoptive compatriot to run, unless Mr Essy is vetoed.

Mr Hamid Algabid of Niger, secretary-general of the Organisation of the Islamic Conference; Mr Salim Ahmed Salim of Tanzania, head of the OAU secretariat and a former candi-

date; Mr Moustapha Niassé, foreign minister of Senegal; and Mr Wally N'dow of Gambia, secretary-general of the UN agency Habitat, are all considered potential contenders.

Senegal has diplomatic relations with Taiwan, which would count against Mr Niassé. Mr Salim is reported to be reluctant to enter the race, having been vetoed previously by the US in retaliation for his successful efforts as a UN delegate to thwart American designs on the China representation issue 25 years ago.

Also mentioned is Mrs Graca Machel, widow of the first president of Mozambique, but African officials say she has little interest in becoming the UN's first woman secretary-general.

Whoever it is, Mr Fulci and Mr Rasaki Ismail of Malaysia, president of the General Assembly, which must endorse the eventual nominee, have both set a deadline of December 17 for a decision.

INTERNATIONAL NEWS DIGEST

'Hijack' claim in database talks

Sports fans, scientists, librarians and software developers in the US have formed an unlikely alliance to oppose a proposed treaty to protect databases being discussed at a United Nations conference in Geneva.

The critics say the draft treaty is too sweeping and could inhibit scientific and technical research, restrict access to existing information, and inhibit development of the Internet.

The draft pact, one of three due for adoption at a World Intellectual Property Organisation conference that runs to December 20, would establish a special form of protection for databases even if they did not contain copyright material, provided they involved "substantial investment" of resources.

Opponents of the draft complain it has been "hijacked" by a few database compilers, notably West Publishing, a Canadian company with a virtual monopoly on publishing US court opinions, and has not been subject to proper review and discussion.

Noting that there are no provisions for "fair use" or other exceptions allowed for in copyright law, they argue that the treaty as drafted could give database owners monopoly rights over the facts contained in the databases.

Thus West Publishing could insist that any users of US court opinions must seek authorisation.

Frances Williams, Geneva

Elf and Total in Iraq negotiations

Elf Aquitaine and Total, the French oil and gas groups, have confirmed they are in talks with Iraq to buy crude oil under the United Nations oil-for-food plan. Neither company, however, has so far signed a contract.

Total yesterday said it was negotiating to buy 30,000 b/d. Elf declined to say how much oil it was seeking from Baghdad. Under the UN plan, Iraq will be able to sell \$2bn-worth of oil every six months.

Iraq yesterday said it had signed 50 deals to sell crude oil, although it has not named any buyers. Officials in Baghdad said loading of the first tankers could begin as early as next week. David Owen, Paris, and Robert Corzine, London

Netanyahu predicts big boost to Israeli economy

By Bruce Clark and Peter Wise in Lisbon and Judy Dempsey in Jerusalem

Mr Benjamin Netanyahu, the Israeli prime minister, yesterday claimed Israel's economy would quadruple in size and would become one of the 15 richest nations in the world by 2010.

Speaking at the European security conference in Lisbon, a largely political gathering, he said his vision of the future was based on Israel's commitment to peace and free markets from

which prosperity would result. His words could rattle those back in Israel, where industry and foreign investors are waiting for Mr Netanyahu to put aside his rhetoric and deliver on his election promises of capital markets reform, privatisation and a commitment to cut the budget deficit.

Mr Netanyahu said his country's population and gross domestic product per capita would both double by the year 2010 as foreign investors, confident of Israel's commitment to

peace, rushed to take part in an "unprecedented technological revolution".

And in a sardonic rebuttal of the widespread charge that his government was stalling on reconciliation, he said the steady rise in foreign investment was a sign of international confidence in his country's continuing stability. Foreign investment had grown 30 per cent this year compared with 1995, and gross fixed capital investment was up 12 per cent, despite big budget cuts because of overspending.

However, since the spate of bombings earlier this year and the violence between Israeli and Palestinian forces, the Mishkanim, the 100 share index of the Tel Aviv Stock Exchange, has lost over 12 per cent as foreign investors have remained on the sidelines.

Furthermore, no budget cuts have been introduced so far and analysts have pointed out that the budget deficit for the first 10 months of 1996 reached Shk9.8bn (\$3bn), exceeding the whole of 1995.

Mr Dan Meridor, the Israeli finance minister, yesterday confirmed the deficit would this year exceed 4 per cent of gross domestic product, making it more difficult to introduce budget cuts aimed at bringing the deficit down to the government's target of 2.8 per cent of GDP next year.

"We're going to make peace and prosperity happen," added Mr Netanyahu. "The prosperity will strengthen the peace and the peace will strengthen the prosperity. Nothing remains

that cannot be resolved if there is a decision on the Palestinian side to resolve it." He insisted the Palestinian side was holding up final agreement on the Israeli army's withdrawal from the West Bank town of Hebron - a deal which he described as 99 per cent complete.

However, European diplomats gave a more downbeat assessment of the Israeli leader's meetings in Lisbon. Mr Jacques Chirac, the French president, is understood to have pressed him to make a gesture towards

peace and said fresh violence could break out because of the lack of progress.

Mr Chirac also called for a resumption of talks between Israel and Syria, and warned that fresh Israeli settlements on the West Bank were sending a "bad signal" to the Palestinian side.

Mr Netanyahu said the Oslo peace accords did not deny Israel the right to establish settlements - and that his government was proceeding more slowly with settlements than its Labour predecessor.



DuPont seeks to reverse fall in global price of key chemical

By Jenny Luesley in London

DuPont, the world's largest producer of titanium dioxide, is to raise its prices on January 1, in an effort to lift the huge commodity industry out of the doldrums.

Titanium dioxide, with global sales of more than \$7bn a year, is the main ingredient in paint and paper coatings. It is also used to colour plastics. Prices for the chemical have fallen sharply this year, largely due to oversupply after producers expanded their manufacturing plants during a period of stagnant demand.

With suppliers competing for customers, US prices have fallen by 13 per cent and European prices by nearly 20 per cent. This has knocked profits at chemical companies such as DuPont and ICI, as well as SCM, which was spun off by Hanson this year into Millennium Chemicals.

SCM has already tried to increase prices, in an effort to reassure investors of the strength of its business ahead of Millennium's October flotation. But a price rise due on the day of the flotation proved impossible to implement, said Mr Bill Landuyt, chief executive.

DuPont may fare better. It holds 25 per cent of the world's titanium dioxide market, compared with 14 per cent by ICI and 12 per cent by Millennium.

"If anybody can get a price rise, it will be DuPont," said Mr Roger Pechey of chemical industry consultant Harriman Chase.

DuPont plans to increase its US prices by 4.5 per cent on January 1, and European prices by between 5 and 8 per cent.

The company estimates that Asian titanium dioxide demand fell by 1.5 per cent this year.

Previously, demand for the chemical has always grown in the region, and producers had been forecasting regional demand growth of 7 per cent a year from 1995 until 2000.

"The region is beginning to show signs of becoming a mature economy," said Mr David Young, marketing manager for DuPont's white pigments business. This year's slowdown in South Korea and Taiwan had depressed sales by more than the continuing expansion in south-east Asian economies, he said.

At the same time, demand was stagnant in Europe, and fell by an estimated 1.2 per cent in North America. Only in South America, which accounts for about 5 per cent of the global market, was there any growth in demand - by an estimated 0.3 per cent.

The pain, for producers, is becoming unbearable. Titanium dioxide prices had "declined by unrealistic amounts in 1996," said Mr Young.

Many chemical companies were running their titanium dioxide businesses at, or close to, a loss. "Prices need to rise significantly if producers are to survive and invest for the future," he said.

However, industry analysts suggest that a sustained price recovery is unlikely while there is such considerable oversupply.

Historically, titanium dioxide prices have only risen when producers were using more than 87 per cent of their available manufacturing capacity. Currently, they are using about 85 per cent, despite plant closures and delayed expansion plans aimed at easing the oversupply.

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Hopes rise for UK-US deal

S retreats on grain duty

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NEWS: WORLD TRADE

IT tide washes away at tariff defences

Guy de Jonquière explains the forces driving towards freer trade in information technology

Heads of government seldom get personally involved in international trade negotiations. So President Bill Clinton's appeals to fellow Pacific Rim leaders last month to back a proposed agreement to free global trade in information technology (IT) products are powerful evidence of how badly the US wants a deal.

The effectiveness of Mr Clinton's diplomacy, at the Philippines summit of the 18-member Asia Pacific Economic Co-operation (Apec) forum, should soon become clear. The test will be whether World Trade Organisation ministers can agree next week in Singapore to abolish tariffs on most IT products by the year 2000.

That would be the biggest liberalisation package ever assembled for one industry. It would span products, including semiconductors, computers, telecommunications equipment and soft-

ware, which generate world trade valued at \$300bn-€500bn a year.

It would also boost the WTO, where other recent "single-sector" negotiations, aimed at liberalising financial services, telecommunications and shipping, have yielded disappointing results. An important reason was that pressure from domestic producers led Washington to balk at agreements.

But many IT companies in the US and Europe are pressing for a WTO deal. After months of delaying tactics by Brussels, and ill-tempered exchanges with Washington, a transatlantic consensus is emerging on an outline accord. It is likely to be backed by Japan, which has already scrapped most IT tariffs.

However, a comprehensive package is not yet in the bag. Some companies on both sides of the Atlantic have been mounting re-

guard efforts to retain tariffs which protect their home markets. For instance, persistent lobbying led by the Dutch Philips group has kept consumer electronics out of the talks entirely.

Brussels has rejected Philips' pleas to exclude digital video discs, as well as Rank-Xerox's demands that EU tariffs stay on office copiers. But Xerox, Rank-Xerox's parent, is still lobbying in defence of US tariffs, as are some US component makers and Comtec, a leading producer of optical fibres and television monitors.

Washington also chides the EU for reluctance to liberalise software, notably on CD-Roms. Brussels says it is ready to remove tariffs on computer programs, but that US demands to have recorded music and films included in a WTO agreement go too far.

If the US and EU insist on too many exceptions for their own industries, they

will not only limit the scope of an agreement. They risk undermining their attempts to persuade Asian IT-exporting countries, such as Korea and Malaysia, to open their markets further.

Solid Asian participation is now seen as crucial. "The US and EU account for only half world IT exports. To succeed, a deal must cover about 90 per cent of products," says a senior US official. Brussels believes broad Asian involvement is essential to persuade the EU's members to abolish its IT tariffs, the highest in the industrialised world.

But although Mr Clinton persuaded last month's Apec summit to endorse an IT deal, several Asian leaders there said the statement was so ambiguous that it committed them to nothing.

In fact, countries such as Malaysia and Singapore have already scrapped many

IT tariffs, and US officials claim some Asian exporters have offered in the WTO negotiations to liberalise further.

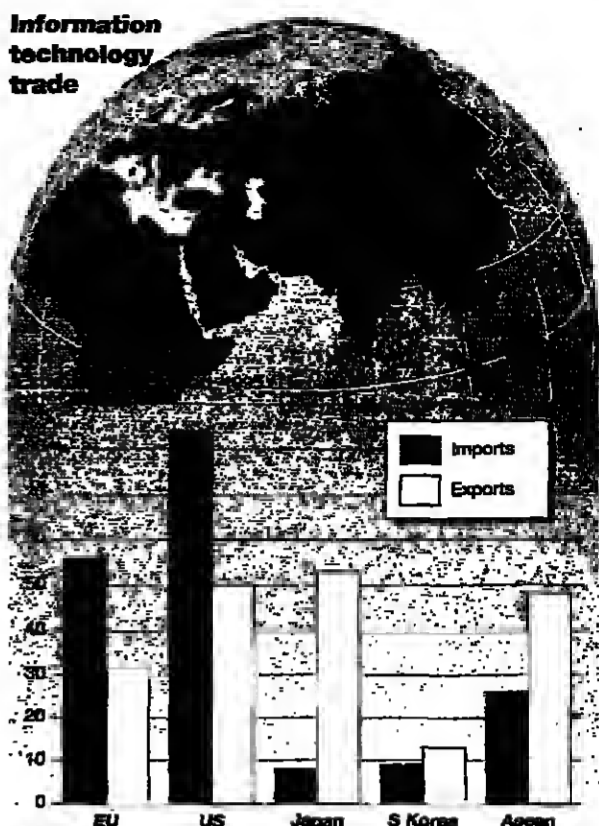
However, Asian governments are anxious not to be seen to cave in publicly to pressure from Washington, particularly when US companies, the world's biggest exporters of IT products, are expected to gain most from a WTO agreement.

On the other hand, Mr Clinton has invested much personal prestige in getting an agreement. That could make it more difficult for the US to walk away from a deal, as it did in the WTO financial services talks.

The chances are that last-minute compromises will be struck on issues such as product coverage and liberalisation timetables. But with the five-day WTO ministerial meeting due to open on Monday, little time is left to wheel and deal.

Even if an agreement is

Information technology trade



Source: European Commission

could easily become consumer products," he says. See Information Technology Survey, Separate Section

Hopes rise for UK-US air deal

By Ross Tieman in London

Efforts to reach an "open skies" agreement to liberalise civil aircraft traffic between the UK and the US reopen in London today, when US Department of Transportation officials meet their UK counterparts for three days' talks.

For the first time, airlines will be allowed to send observers to discussions. The last round of talks broke down earlier this year, partly over British demands that UK carriers be allowed to fly passengers within the US.

The outcome of the talks has become embroiled with the battle by British Airways and American Airlines to win official approval for their proposal to form a global alliance.

This would give BAAmerican more than 60 per cent of traffic between the US and UK, the world's busiest air route. Rival airlines have protested at the alliance and have been pressing for improved access to take-off and landing slots at London's Heathrow Airport and elsewhere, to ensure effective competition.

Hopes exist that the UK Department of Trade and Industry may help break the log-jam by soon announcing proposals from Mr John Bridgeman, UK director-general of fair trading, on which the BAAmerican alliance could proceed.

If that issue can be resolved, UK officials will

remain under pressure from Virgin Atlantic, the second largest UK airline on transatlantic routes. Mr Richard Branson, Virgin's owner, wants open access to carry passengers in the US as the price for concessions.

The US Department of Transportation remains committed to obtaining open access to UK airspace and airports for US carriers. According to officials: "The UK is our largest aviation partner; we are not prepared to settle for anything less." Lobbying in the run-up to the talks has become highly charged. BA controls 36 per cent of take-off and landing slots at Heathrow Airport, already heavily congested. That would rise to 42 per cent if the alliance with American is approved.

Yesterday United Airlines said it wanted BA and American to surrender 30 per cent of their take-off and landing slots at Heathrow as the price of any alliance.

It also wanted BA and American to make room at Chicago and New York's John F Kennedy airport for extra flights by other airlines.

The proposal would involve transferring 30 daily slots at London Heathrow, six at Chicago and 12 at JFK to rivals. United would support an "open skies" pact on these terms and withdraw objections to a BAAmerican alliance, a United executive said.

US/UK air talks, by Richard Branson, Page 14

Toymakers accused of ignoring factory code

By Peggy Hollinger in London

Toy manufacturers are putting the lives of workers in third world factories at risk to satisfy the west's Christmas buying bonanza, according to a leading lobby group.

With the UK alone likely to spend up to £200m (\$1.5bn) on toys this month, Britain's World Development Movement is calling on consumers to put pressure on manufacturers to enforce safety and working conditions in factories.

The WDM has accused toy manufacturers of merely paying lip service to a code of conduct agreed earlier this year in which they adopted guidelines to improve conditions in third world factories.

"One year on from adopting the code, nothing has changed on the shopfloor," said Ms Aditi Sharma of the WDM.

The organisation is urging toy manufacturers to enforce the code through independent monitoring of factories,

including random spot checks on safety issues and working conditions. This would be carried out by bodies which included representatives of both employees and employers, the WDM said.

Evidence collected by the WDM since the code was adopted in January shows that many factories which supply the world's biggest toy manufacturers are cutting corners to provide competitive rates.

The WDM cites examples of worker exploitation from

China, Thailand and the Philippines. In one case a 17-year-old girl was forced to work day and night for three consecutive days with only two hours' break for lunch and dinner. Workers at another factory in Thailand are regularly fired after 119 days to avoid being paid benefits such as maternity leave and sick pay.

The lobby group claims that 24-hour shifts in the run up to Christmas are not unusual in many Asian factories.

Toys are big business at

Christmas, when about half the sector's sales are made. The WDM points out that Mattel, the world's largest toymaker, earns more in one hour of sales of the Barbie doll in the UK than it pays 27,000 Chinese workers. "We pay more for a Barbie doll in the UK than a toy worker in Indonesia earns in a week," the WDM said.

Toy manufacturers yesterday sharply rejected the WDM's suggestions that the code was not being enforced. "It is insulting," said Mr David Hawtin of the British

Toy and Hobby Association, which represents manufacturers' interests. "We refute any suggestion that the bulk of toys are made in extremely dangerous conditions."

Toy manufacturers were not about to allow independent monitoring along the lines suggested by the WDM, Mr Hawtin added. "We do not regard that as independent monitoring. We regard that as an invasion." This was a job which should be undertaken by the local government, he said.

WORLD TRADE NEWS DIGEST

US retreats on grain duty

The US yesterday withdrew its request for a World Trade Organisation panel to investigate European Union grain tariffs. The two sides are expected to try to settle the matter bilaterally. The US complaint relates to the EU's reference price system introduced in July 1995 for charging customs duties on wheat, rye, barley, corn, sorghum and rice. Washington wants duties charged on a shipment-by-shipment basis; Brussels says this is impractical.

The dispute settlement body was also told yesterday the report on Washington's complaint against the EU ban on hormone-treated beef, due shortly, would now be ready no later than next May. In another dispute, the US said it intended to change its rules on clean petrol to comply with a WTO ruling by the summer of next year.

Venezuela has agreed to this timetable; Brazil, the other complainant, says it is too long. Frances Williams, Gencor

Spain-Morocco debt deal

The Moroccan government yesterday signed a debt swap agreement covering part of the \$1.36bn owed to Spain in official and state-guaranteed credits. The initial deal covers \$50m of loans which may be converted into Spanish private-sector investments in Morocco, and is expected to be extended later.

The state-guaranteed credits will be offered at a discount to Spanish bidders and used to finance approved projects. Morocco is seeking to reduce the burden of its \$21.5bn foreign debt and steer new investment into the north of the country. David White, Madrid

Canada dairy victory

Canada has rolled back a US effort to eliminate Ottawa's supply management system for dairy and poultry products. The US has twice complained Canada's high tariff protection for dairy and poultry products violates the North American Free Trade Agreement and WTO rules. A NAFTA dispute panel has found Canada within its rights to keep tariffs on these products, under NAFTA and WTO rules. The US will "pursue greater access to Canadian markets with vigour". Robert Gibbons, Montreal

US tops poll on cultural exports

By Richard Tomkins in New York

France may protest about US cultural invasion, but few French consumers put the quality of their own entertainment above that of the US, according to a poll published yesterday.

In contrast, the British emerge as the world's proudest nation when it comes to home-grown entertainment, believing their own television programmes, pop songs and movies to be far better than those of the US or any other country.

The findings come from the third annual survey of consumer attitudes carried out by Bozell Worldwide, the US advertising agency, and the Gallup Organisation, the US polling group.

The survey's main purpose is to find out how consumers in different countries rate the quality of manufactured goods produced by the world's largest exporting countries. Canvassing the views of 20,000 consumers in 19 countries, it claims to be the biggest poll of its kind.

As in the two previous years, Japan tops the poll as the country considered to produce the best quality goods, with 41.2 per cent of respondents considering its exports to be excellent or very good.

Germany is next with 35.1 per cent, and the US is close behind with 34.9 per cent. Then there is a big gap before Britain appears in fourth place with 21.2 per cent, closely followed by France with 20.8 per cent.

A different picture emerges in the entertainment sector, which features in the survey for the first time. Overall, consumers rate US entertainment the best in the world, with 41.5 per cent of respondents saying it is excellent or very good. Britain ranks a distant second, with 20.5 per cent.

In France, 27 per cent of consumers think French entertainment is excellent or very good, closely followed by the US with 23 per cent. But both scores are unusually low, suggesting either that the French are starved of popular culture or that they derive little pleasure from it.

Britons seem much more enthusiastic, with 64 per cent of consumers saying that domestically produced entertainment is excellent or very good. The US is far behind, but still scores an above-average 46 per cent.

Bozell-Gallup Worldwide Quality Poll. Bozell Worldwide, 40 West 23rd Street, New York, NY 10010-5201. Free.

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NEWS: UK

Municipality may extend street closures and checkpoints to counter threat from IRA

City of London may widen 'ring of steel'

By Jimmy Burns in London

The Corporation of London, the municipal authority for the City, hopes to push through its delayed plans for an enlargement of the protective ring around the City as police continue to warn of the threat of further attacks in England by the Irish Republican Army.

The scheme extends the City's street closures and security checkpoints which were set up after the bomb attack on Bishopsgate in 1993.

The unarmed police who make random checks of

Mr David Trimble, leader of the Ulster Unionist party, said before a meeting in Washington yesterday with Mr Anthony Lake, national security adviser, that he hoped President Bill Clinton would "drop in". Mr Trimble's party is the largest British party in Northern Ireland. He hopes Irish Americans will put pressure on Sinn

vehicles entering the City are sometimes replaced by armed officers.

Corporation members are expected to approve the extension tomorrow after a 10-month consultation period.

Mr Michael Cassidy, chairman of the corporation's pol-

Féin, the political wing of the Irish Republican Army, to accept British terms for entering all-party talks about the future of Northern Ireland. Mr Trimble is accompanied by Mr James Moynihan, former party leader. Irish-American activists have lobbied against a presidential meeting with such a high-level anti-nationalist as Mr Trimble.

Although the City of London police are understood to have received no recent warning of an imminent IRA attack, the force has been on heightened alert since the paramilitary organisation ended its ceasefire in February with a bomb attack in

the Docklands district to the east of the City. A spokesman for the City police said last night that the force backed the extension of the so-called "ring of steel" which has contributed to a 16 per cent reduction in crime levels over the past three years.

Approval of the scheme on Thursday will in the short term lead to some additional streets being closed off, and the introduction of temporary plastic bollards.

The City of London's police strategy, however, is based on a flexible and changing pattern of manned

checkpoints to avoid security being undermined by IRA intelligence.

Police have been relying on the increased use of closed circuit television and closer co-ordination with security officers employed by companies operating in the City.

Mr Cassidy said that the Corporation had received objections mainly from a "number of car users" whose offices are near the two additional security checkpoints which are planned for Ludgate Hill in the west of the City and Broadgate in the north.

UK NEWS DIGEST

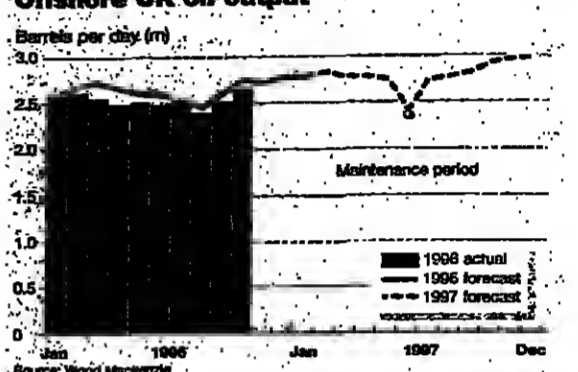
Oil output 'to break records'

UK oil production is expected to rise by 210,000 barrels a day next year to a record 2.78m b/d, says a study by Wood Mackenzie, the Edinburgh-based oil consultant. Total North Sea output is expected to rise even faster, to a record 6.47m b/d as a result of an estimated 6 per cent increase in Norwegian production. But growing North Sea output, one of the most important factors in setting world oil prices, is unlikely to meet the expected rise in worldwide demand next year. That, the study concludes, means there will be room for Iraq to resume exporting oil with just a "limited impact" on prices, which have been buoyant since August.

The Norwegian state, which has a direct stake in that country's oil fields, and Statoil, Norway's state oil company, are expected to remain the biggest North Sea producers next year. They will be followed by Shell, the Anglo-Dutch group, British Petroleum and Exxon of the US. The upbeat North Sea forecast follows lower than expected output this year, which Wood Mackenzie describes as "disappointing". UK production in the first half of the year averaged 2.53m b/d, well below the consultant's forecast of 2.66m b/d, as a result of delays to some new fields and unforeseen operational and maintenance problems at existing platforms.

The study says average production for the full year will be flat, at 2.57m b/d. But the negative financial impact of lower output has been offset by this year's sharp rise in oil prices, brought about in part by the North Sea production shortfalls.

Offshore UK oil output



Source: Wood Mackenzie Commodities, Page 26

N Ireland business tops performance league

By John Murray Brown in Dublin

A survey of Northern Ireland companies by Coopers & Lybrand, the accountancy firm, emphasises the region's new competitiveness. "Northern Ireland remains at the top of the UK's performance league due to strong marketing, improved exports and tight costs control," said Mr Stephen Kingon, managing partner at Coopers. Executives in Northern Ireland

are paid less than their counterparts elsewhere in the UK, the report says. It adds that women account for 38 per cent of finance managers compared with a national average of 12 per cent, one explanation being that more women are qualifying as accountants.

The results of a survey of 391 companies underscore the success of the region's corporate sector in containing personnel costs.

While pre-tax profits increased by 35.9 per cent remuneration for the highest paid directors rose by an average of 5.9 per cent. This is ahead of inflation, which is running at around 3.5 per cent, but less than salary increases in the UK as a whole, the report says.

The increases compare with an average of 7.8 per cent, in basic salary and annual cash bonus, awarded at FT-SE 100 companies in 1995.

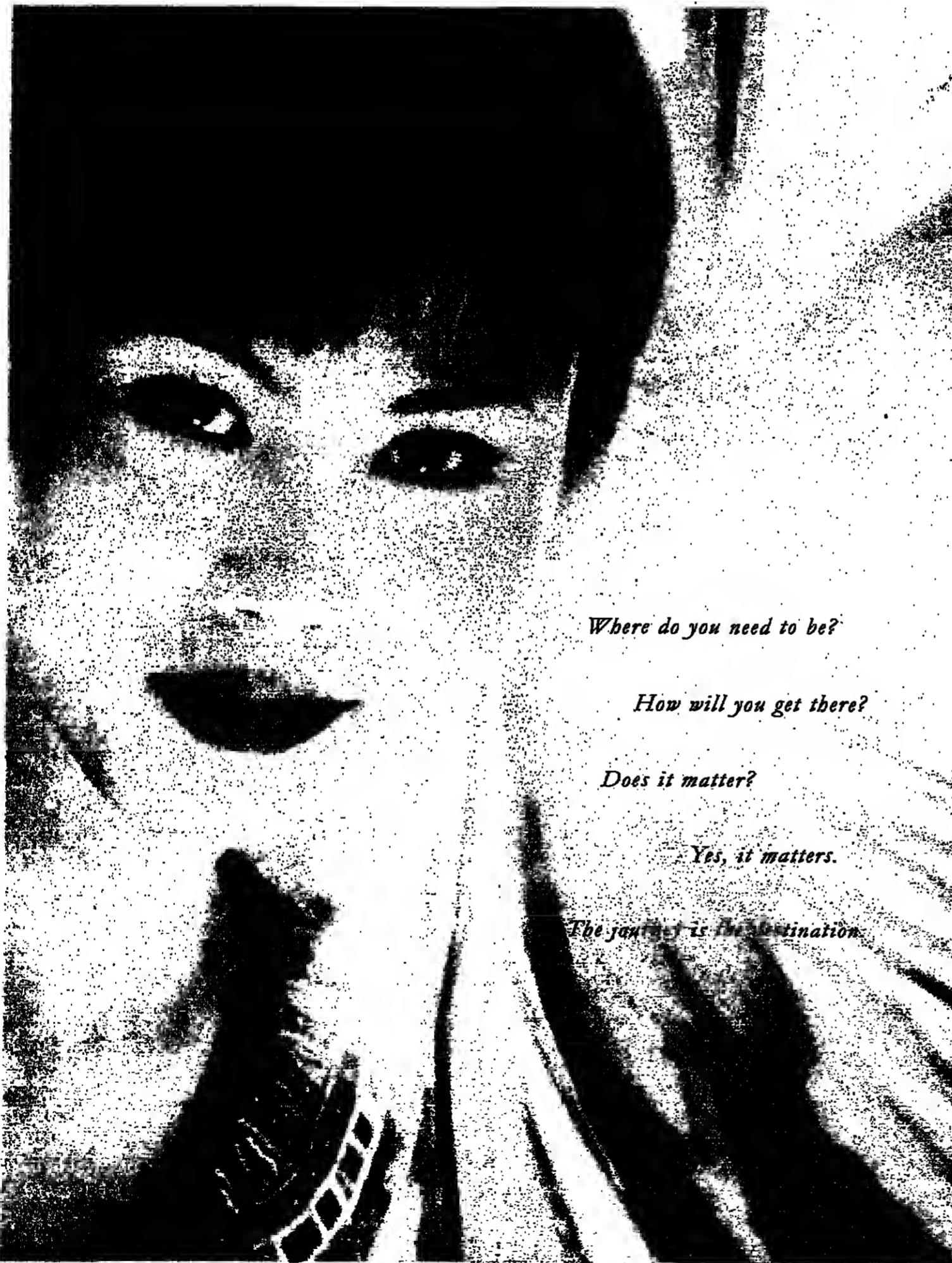
In Northern Ireland, annual salary rises have declined from almost 8 per cent in 1990 to a low of 2.8 per cent in 1994. This edged up in 1995 and 1996, reflecting the increased profitability of business in the wake of the paramilitary ceasefires.

People in Northern Ireland are doing too little to stop paramilitary punishment beatings, Sir John Wheeler, the British minister responsible for security in North-

ern Ireland, said yesterday.

"Whether they come from the Provisional IRA or the so called Loyalists it doesn't matter," he said. "They are cruel attacks, they are damaging people, doing harm to the individual and are harming everybody in Northern Ireland."

The minister spoke after government figures showed a sharp rise in the number of beatings this year - 276 to November 25 against 217 for the whole of last year.



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BROADCASTING DISPUTE

BBC prepares case on digital TV

The BBC is preparing a powerful case to try to persuade the government that tighter regulations are needed to govern the introduction of digital television in the UK. The BBC, the public service broadcaster, wants fair trading obligations to be enforceable immediately on whoever operates the black box needed to convert the digital television signals. This should happen, the BBC believes, when specifications and contracts with broadcasters are being developed and not afterwards.

The BBC will also argue that set-top box operators such as British Sky Broadcasting, the satellite venture, should be obliged to licence their proprietary standards in the box to bona fide broadcasters subject to security safeguards administered by Ofcom, the telecommunications regulatory body.

PARTNERS' ASSETS

Liability law receives approval

Jersey's controversial limited liability partnership law has received the approval of the UK Privy Council and should come into force early in the New Year. The island is the largest of the Channel Islands between England and France and has its own legislature with law-making powers. The legislation offers the members of big partnerships protection for the personal assets of partners in the event of a claim being against the firm. Several organisations, including accountants Price Waterhouse and Ernst & Young, have indicated that they will register in Jersey as LLPs.

HOME SHOPPING

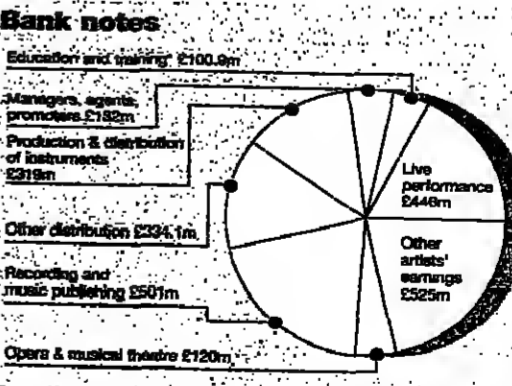
Eddie Bauer proposes venture

The growing fashion for catalogue shopping in the UK has prompted Eddie Bauer, leading US casual wear retailer and mail order group, to launch a joint venture with Grattan, the UK's fourth biggest home shopping company. Eddie Bauer, which claims sales of about \$1.5bn in the US, plans to launch four upmarket casualwear mail order catalogues by 1999 in conjunction with Grattan. It is also planning to open three retail outlets in London and Manchester next year.

The Seattle-based company is best known for its distinctive outerwear and accessories and has virtually become a lifestyle brand in the US. Eddie Bauer is owned by Spiegel, one of the largest US mail order houses, and has 440 outlets in the US. It also has stores in Japan, Germany and Canada.

MUSIC

Net output \$4.2bn last year



The UK music industry generated "value-added", or net output, of \$2.5bn (\$4.2bn) last year, according to a survey compiled by the National Music Council. This made it a bigger contributor to the economy than chemicals, water supply and electronic components. The money came from a variety of sources including record sales, receipts from live performances, musical instrument production and music publishing royalties. About 160,000 people were involved with the industry and generated the equivalent of 115,000 full-time jobs.

GIBRALTAR

Ex-minister to be governor

Sir Richard Luce, former minister in the UK Foreign Office, is to be governor of the UK colony of Gibraltar at the southern tip of Spain. The fact that Sir Richard takes over from a succession of military governors could suggest a greater emphasis on political issues such as relations with the European Union and Spain. The UK and Spain have been unable to reconcile their conflicting sovereignty claims over Gibraltar.

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Minister confirms isolation and sets stage for conflict ■ Pro-Europeans score victory in cabinet

EU treaty draft 'far too centrist'

By Robert Peston, Political Editor

The British government's virtual isolation in negotiations for a new European Union treaty was confirmed yesterday by Mr David Davis, the foreign office minister leading the UK's team.

Giving evidence to the House of Commons committee on European legislation, Mr Davis said the draft of the new treaty, which is expected to be unveiled to EU foreign ministers in Brussels on Friday, would be "far too integrationist and too centrist" for the UK.

The text, drawn up by the Irish government as bolder of the EU presidency, will attempt to distil a consensus from the past year of negotiations at the intergovernmental conference.

UK opposition to almost every proposal would be very clear in the text, Mr Davis said. The government did not "remotely mind" if the draft named the UK as the main objector.

The stage has therefore been set for conflict at the EU government heads summit in Dublin next week, when the draft treaty will be top of the agenda.

Mr Davis gave a catalogue of proposed reforms from which the UK dissents. He also made no attempt to disguise lack of support for the UK's agenda.

He said only the UK and Denmark opposed proposals to give EU institutions, including the European Commission and the European Court of Justice, a far bigger role in setting justice and home affairs policy. The UK was implacably opposed to such a change, he added.

Mr Davis highlighted the "big gap" between the UK and Franco-German positions on so-called "flexibility", or how to allow groups

of countries to integrate faster than the EU as a whole.

In this area, as in every other under negotiation, Mr Davis said Britain aimed to retain a veto over instances of countries pursuing integrationist ambitions. "We will not accept any undermining or dilution of the veto in any circumstances", Mr Davis repeated the point several times.

He made some attempt to appear conciliatory on reforms of foreign policy decision-making. "The UK might back the German proposal for a system of 'constructive abstention', by which a country abstaining from a decision would not prevent others pursuing a joint foreign policy objective.

However, the UK was quite happy to block all reform in this area, if other countries insisted on changes with implications for the use of the veto.

He detected some support from France and Germany for UK proposals to limit the retrospective effect of European Court of Justice judgments and to put a ceiling on penalties.

But he confirmed that the British government would not hesitate to veto the entire package of treaty reforms, scheduled for final agreement in the middle of next year, unless the UK obtained exemption from the working hours directive and reform of the common fisheries policy.

Mr Noel Dorr, the senior Irish diplomat chairing the IGC negotiations, made clear yesterday that the Dublin government was intent on avoiding a clash at next week's EU summit, Lionel Barber writes in Brussels.

"We have not asked anyone to sign up to the text as a treaty," Mr Dorr said. "It serves as a working basis for further negotiation."

Forex dealers relaxed about changes

Currency traders in the City of London, the world's biggest foreign exchange market, seem relaxed about the impact of European economic and monetary union.

The prospect of hundreds of traders being thrown jobs on to the street as currencies disappear overnight does not scare them. "It's not going to make much difference to us," said Mr David Clark at Bank Gesellschaft Berlin, in London.

This confidence stems from the fact that the European currencies likely to be swallowed up in the euro - the proposed single currency - make up only about 10 per cent of total turnover in London's \$464bn-a-day foreign exchange business.

The loss of the European currencies would simply push us back to 1993 levels," said Mr Graham Coles at First National Bank Boston. He believes that the growth of the foreign exchange markets - which has been rapid over the last few years - would soon

replace the lost business. This could include the new euro, trade in which may expand quickly if the move to a single currency triggers faster growth in the economies taking part.

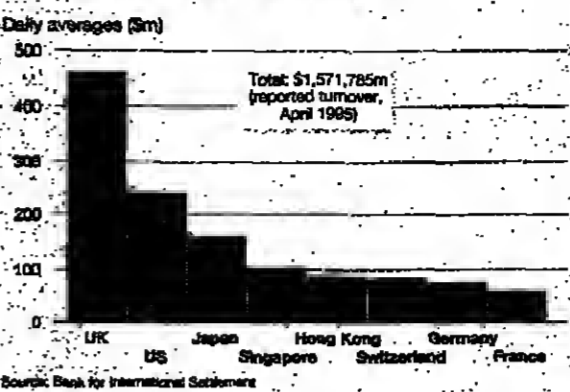
But while turnover has grown, banks' profits have not. Currency markets are extremely quiet by historical standards. Banks report that several institutions are laying off foreign exchange traders mainly because the volatility on which the business thrives is simply not there, especially between European currencies such as the D-Mark, the French franc and the Italian lira.

"Already we have in effect monetary union, with low volumes. So already banks are not generating large amounts of income from trading these markets," said Mr Avinash Persaud, head of foreign exchange sales at Citibank in London.

Most banks in London have begun to look for other, more profitable trading opportunities.

Many have begun trading

Foreign exchange trading



the more volatile currencies of eastern Europe, Russia, Asia, South America and Africa. It is the breathtaking growth of these markets that dealers believe would quickly replace the business lost following Emu.

Mr Michael Green, head of foreign exchange sales at Citibank in London, said: "We are very much retooling and training to take a more active role in emerging market currencies than in European currencies."

One possibility raised by the onset of Emu is that London might lose out as a financial centre if the UK were to stay outside the single currency in the first wave - which, at present, seems most likely.

"The opportunities in emerging markets will be best exploited in London, where much of the business is already being done - much more so than in Madrid, Milan, Paris and Frankfurt," said Mr Clark.

would be central to the operations of the euro markets. But many experts in London believe that London will retain its position as the pre-eminent European financial centre.

"There is nothing to suggest that because the ECB is in Frankfurt that all of Europe's foreign exchange business will gravitate to Frankfurt," said Mr Green.

They believe that London has the "critical mass" of expertise and infrastructure which means it is best placed to exploit growth areas such as emerging markets. They point to the preponderance of French and German banks in London as a measure of the City's attractiveness.

"The opportunities in emerging markets will be best exploited in London, where much of the business is already being done - much more so than in Madrid, Milan, Paris and Frankfurt," said Mr Clark.

Graham Bowley

Utility shares sold for \$434m

By Simon Holberton in London

The government yesterday sold virtually its entire portfolio of shares resulting from privatisations of utility industries for nearly £260m (\$434.2m) in cash.

The sale of shares and debt in the 10 utility companies puts receipts from privatisations this year at more than £4bn, well on the way to the Treasury's target for raising \$4.5bn for 1996 from asset sales.

"This is cash the Treasury needs for tax cuts," one City of London analyst observed.

The sales yesterday are in line with the government's policy of divesting itself of residual shareholdings in privatised companies.

The government is now left with holdings in British Telecommunications and Mersey Docks and Harbour Company valued at about £100m in total. In addition it has about £160m of Scottish Power debt to redeem. Privatisation of the Post Office remains contentious but may surface as a manifesto pledge from the ruling Conservative party.

The biggest sale yesterday was of 61m shares in British Energy, the nuclear utility, 11.2 per cent of the company. It sold the stake for 14p a share - well up on the 105p a share flotation price.

The government also sold its holdings in National Grid, Northern Ireland Electricity, Scottish Hydro-Electric, Scottish Power, National Power, and PowerGen. These were bought by Dresdner Kleinwort Benson. Merrill Lynch bought stakes in South West Water and Wessex Water, while ABN AMRO Hoare Govett bought 3.57m shares in Severn Trent, the water company.

The golden shares - retained in the generating companies which allows the government to prevent an unwanted change of ownership - are unaffected.

The opportunities in emerging markets will be best exploited in London, where much of the business is already being done - much more so than in Madrid, Milan, Paris and Frankfurt," said Mr Clark.

Premier deals blow to Eurosceptics

By Robert Peston in London

Mr John Major, the UK prime minister, yesterday attempted to eliminate any suggestion that the governing Conservative party will campaign in the coming general election for sterling to remain outside a single currency for the lifetime of the next parliament.

This came as a bitter blow to his Eurosceptic backbench colleagues, although Mr Major's close colleagues insisted that his rhetoric would increasingly signal that joining in the first wave was highly unlikely.

It was clear last night, however, that the two most pro-European cabinet members, Mr Kenneth Clarke, the chief finance minister, and Mr Michael Heseltine, the deputy prime minister, had

secured an important victory.

Mr Heseltine made a significant intervention early yesterday, as signs emerged that the government's "wait and see" approach was starting to unravel.

The previous day, an unreported article in the Daily Telegraph newspaper prompted speculation - even among senior cabinet ministers - that the prime minister was poised to rule out

approval will put pressure on Mr William Hague, chief minister for Wales, to close a funding gap. They accuse Mr Hague of months of delay in making a decision and of putting the scheme in jeopardy.

Funding may also be available from the European Union.

sterling joining a single currency. Ministers believed that Mr Major had been giving himself room for manoeuvre during the previous few months.

But such a policy change would have prompted Mr Clarke to quit "on the spot", according to one of his colleagues, so Mr Heseltine moved swiftly to shore up his close ally.

At the regular meeting of EDCP, the cabinet commit-

tee which sets the presentation of policy, he informed colleagues that there would be no departure from the prime minister's statement of last April that the Tories would be "keeping our options open at the next general election".

Mr Heseltine then said in a radio interview: "The policy of the government is agreed by the cabinet... It was spelled out in the early part of this year. It was reiterated

by the prime minister and the chancellor at Bourne-mouth in black and white language, and it is not going to change."

In the wake of these unambiguous remarks, MPs waited with great anticipation to what Mr Major would say in the House of Commons. Mr Major bluntly told Mr Tony Blair, leader of the opposition Labour party, that he agreed with the deputy prime minister.

The prime minister's more Eurosceptic friends were last night trying to put a brave face on what represents a significant reverse for them.

"Whatever we feel about the merits of a single currency, it clearly makes sense for us to influence negotiations on its merits," said one.

Editorial Comment, Page 15

Power to the People, Page 15

THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge, particularly in the fields of industrial policy, third world development and the environment.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break.

In this, the sixth year of the prize, the theme is: "Home Truths from Abroad": A policy idea from outside the UK for the next British Prime Minister. The 1997 prize will be worth not less than £3,000.

Applicants, aged over 21, of any nationality, should submit a typed entry of up to 800 words in English, together with a brief c.v. and a proposal outlining how the award would be used to explore the theme further. Please keep David Thomas's interests in mind when writing both the entry and the proposal.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

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BUSINESS AND THE ENVIRONMENT

Germany is deregulating environmental controls as the economy takes priority, writes Leyla Boulton

A trailblazer fizzles out

The German government, once the world's "green" trailblazer, is nowadays accused by domestic critics of sacrificing the environment on the altar of business...

According to one story circulating in Bonn, Helmut Kohl, the chancellor, appointed Merkel as minister after industry leaders at the last election demanded the head of her energetic predecessor...

unitary initiative by the car industry to recycle old vehicles, are cited as other signs of environmental deregulation. Such agreements, the norm in the Netherlands, are seen as a cheaper alternative to over-prescriptive regulation or taxing pollution.



freedom in how they comply with regulations. However, changes in Germany so far appear mild in comparison to a backlash in the US against similar "command and control" regulations prescribing in detail how companies should comply with environmental standards.

against the idea, says von Weizsäcker, partly because it does not trust politicians to reduce payroll taxes, the quid pro quo for levying new environmental taxes.

Opinion polls suggest that environmental protection is perceived as less of a priority

German business when he says: "Environment is no longer the only argument. You have to find a balance between environment and jobs."

High price of a green machine

Environment-technology makers are encountering several obstacles in export markets

Nice to have but ugly to pay for, is how Peter Fritz, managing director of Preussag Noell, a German producer of environmental technology, describes his products.

pollution, waste disposal or water treatment. Even when there is demand for products in, for example, some of the richer, fast-growing economies of Asia, financing remains a problem.

The Financial Times plans to publish a Survey on Norway on Wednesday, December 18

This Survey will focus on the economic and political situation in Norway and will feature the following: Banking, Oil Industry Shipping, Government, Foreign Relations and Onshore Industry.

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FINANCIAL TIMES

Wednesday December 4 1996

Radisson EDWARDIAN

Tunnel's passenger services to resume

By Charles Batchelor in London

Eurostar high-speed passenger train services through the fire-damaged Channel tunnel will resume today after clearance was given last night by the Anglo-French safety authorities.

Eurotunnel said last night: "We are back in business from tomorrow. But we will not be restarting passenger shuttles until Tuesday because there are messages we have to get over to our customers about tickets."

have to await the conclusions of the two official inquiries which are being carried out into the causes of the fire.

Labour plans fail to bring S Korea into line

By John Burton in Seoul

South Korea yesterday proposed reforms to its strict military-era labour laws that fall short of commitments made to the Organisation for Economic Co-operation and Development during the country's recent accession negotiations.

Brussels plans to force makers to recycle old cars

By Leyla Bouton in London

The European Commission is finalising plans to oblige car-makers to take back disused cars and recycle their components, it emerged yesterday.

are the most advanced in the EU. An estimated 1.5m to 2m cars are recycled in Germany, out of a total of 2.5m cars that reach the end of their useful lives every year.

Mr Kramer said mandatory recycling rules would benefit car manufacturers by providing a level playing field throughout the EU.

THE LEX COLUMN Sterling stumbles

Sterling's fall from grace yesterday was hardly a surprise. Straight-line rallies are unsustainable, and the trade-weighted index's 18 per cent move in four months was as close to gravity-defying as they come.



Mr Victor Rice, the chief executive, has identified £120m of cost savings over the first two years, twice the level forecast initially. Admittedly, he is taking twice the exceptional charge - £50m - to cover asset writedowns and a 15 per cent reduction in the workforce.

But there have also been changes which suggest the recent highs around DM2.64 and \$1.69 are unlikely to be beaten soon.

the latter is already muttering about doing so. In short, long-run expectations should not be overimpressed by a booming spot price.

What do you get when you stick Two Dogs together with Pernod Ricard? Sadly, the answer is probably three dogs. This is an acquisition Pernod did not need to make.

Paris bombing

Continued from Page 1

Paris and Lyons, and in Lille. The attacks led to a large number of arrests and a manhunt over several days by police in Lyons which culminated in them shooting dead Khaled Kelkal, one of the principal suspects in the investigation.

Boeing and McDonnell Douglas

Continued from Page 1

year of on-off talks between the US companies which led to speculation about a merger. Although it is limited to wide-body aircraft, the unusually close collaboration could mark a turning point in the groups' relationships - and in McDonnell's fortunes.

ment programmes. McDonnell Douglas has excellent design and production capabilities that are not being fully utilised," he added.

Oil

Oil bears have had a terrible year. The price has spirited to extraordinary highs, thanks to depleted stocks and the non-arrival of expected fresh supply - notably from Iraq and the North Sea.

LucasVarity

Amid all the excitement surrounding the £3.2bn (\$5.3bn) merger of Lucas and Varity, the stock market seems to have lost sight of the fact that adding together two cyclical car parts companies would simply produce one big cyclical car parts company.

That seems unduly pessimistic, since the group's much-needed restructuring is proceeding faster than even the optimists had hoped.

FT WEATHER GUIDE Europe today A low over the North Sea will cause unsettled, windy conditions in Scotland and southern Norway. Southern England will stay mainly dry with sunny periods. Patchy rain associated with the low will stretch from Denmark and southern Sweden across Germany and France to northern Spain.

WALON Finding of £34,500,000 for the management buy-out of Walon Autotransport Limited. Vehicle transportation and logistics. Led, negotiated and arranged by BZW Private Equity Limited.

Handwritten signature or note at the bottom of the page.

"Conceive optimistically, plan pessimistically, and execute optimistically."

FINANCIAL TIMES COMPANIES & MARKETS



Wednesday December 4 1996

IN BRIEF BT and MCI seek merger approval

British Telecommunications and MCI, its US partner, yesterday sought the approval of the US telecoms regulator for their proposed merger...

VW appoints Audi chair to S America Mr Herbert Demal, chairman of Audi, Volkswagen's executive cars subsidiary, is to head VW's big South American operations...

Australia raises grain expectations Official forecasts for Australia's winter grain production, already at record levels, have been raised again following mild spring weather and good rains...

DK suffers from sterling's strength Durling Kindersley yesterday became the latest casualty of sterling's strength as the book and multimedia publisher warned that profits would be hit this year by currency fluctuations...

Correction On December 2 the Financial Times wrongly reported that Sumitomo Bank was involved in the Sumitomo Corporation copper-trading scandal.

Table with 3 columns: Company Name, Share Price, and Change. Includes ABB, ABN Amro, AC Nielsen, AT&T, Ajinomoto, American Airlines, etc.

Market Statistics table with columns for various market indices and their values.

Chief price changes yesterday table with columns for market indices and their percentage changes.

Pernod Ricard snaps up Two Dogs

French drinks group adds Australian publican's pioneering alcopop to its brands

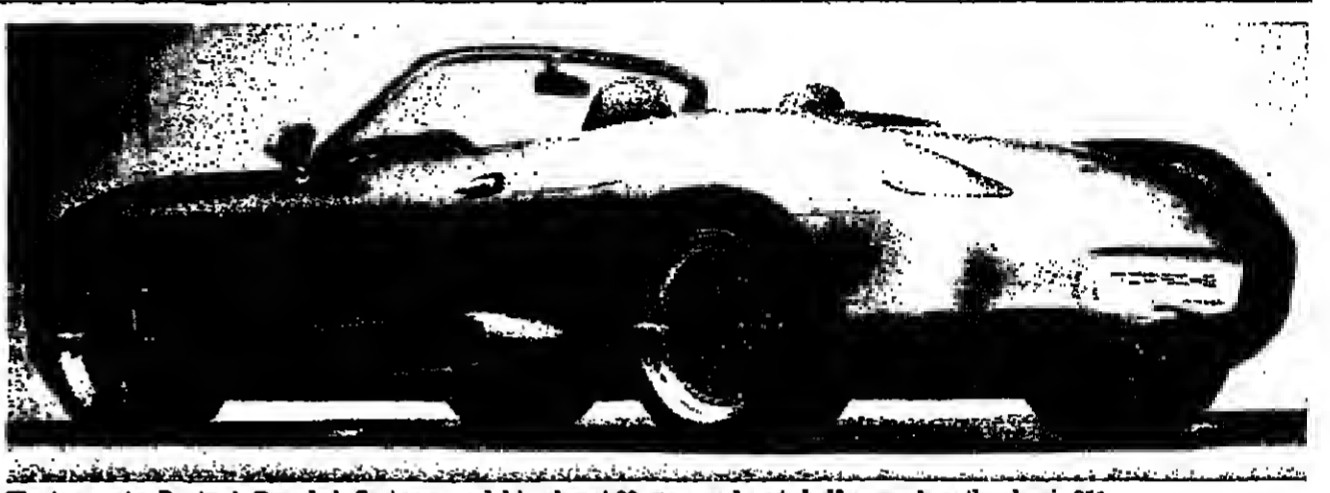
By Nikki Teft in Sydney, Roderick Oram in London and David Owen in Paris Two Dogs, the young Australian drinks group given to holding marketing meetings at the Bow-Wow Bar, Two Dog Island, Micronesia, has been bought by Pernod Ricard...

In the UK, alcopop sales are forecast to hit 2500m (£684.5m) this year and 2500m next. Two Dogs, in its various forms such as apple or lemon fortified with gin, is the number two brand with about 15 per cent of the market...

lemonade through the Bull and Bear Ale House, Mr MacGillivray's pub. A few months ago the company started selling into the US market, but acknowledges that this has not been easy.

Cheaper model helps Porsche to swift recovery

By Sarah Althaus in Frankfurt The recovery at Porsche, the German sports carmaker which saw sales plummet in the early 1990s, picked up speed in the first quarter, with turnover climbing 40 per cent to DM622m (£537m). The improved figures were helped by strong demand for the group's classic 911 model in the US, its largest market...



The two-seater Boxster is Porsche's first new model in almost 20 years and costs half as much as the classic 911

Wiedeking had adopted a similarly cautious stance a year ago. "He predicted only a slight rise in last year's profits and in the end, they sky-rocketed," Mr Stürzer said. Net profits in the year to July 31 jumped from DM2m to DM4m, on an 8 per cent rise in sales to DM2.8bn.

The improvement in Porsche's fortunes follows three consecutive years of losses in the early 1990s as recession damped consumption of luxury goods and the global car market slumped. Since then, Porsche has reduced its workforce by a third, slashed costs and introduced measures to improve efficiency.

Consortium to bid for UK army radio system

Former rivals to tender for \$3.4bn contract

By Motoko Fish and Bernard Gray in London Rascal, Siemens Plessey and ITR are to combine their bids for the £22m (\$3.4bn) contract to replace the British Army's battlefield radio system, in a move likely to undermine one of the Ministry of Defence's flagship competitions...

Rascal yesterday declined to reveal its stake in the enlarged consortium, but it is understood it will take about a third of the contract revenues. The MoD said yesterday it was still considering whether to accept the three-way proposal. However, the department's options are very limited. It could offer to fund development work by the two teams to maintain a competition, or encourage another company to enter the bidding.

proposals in the new year, but insist that the group holds competitions for sub-contract work. Rascal said it expected an MoD decision by March. Rascal's profits, which included a £10m charge for the reorganisation of the group's data products division, were struck on sales up 19 per cent to £262m.

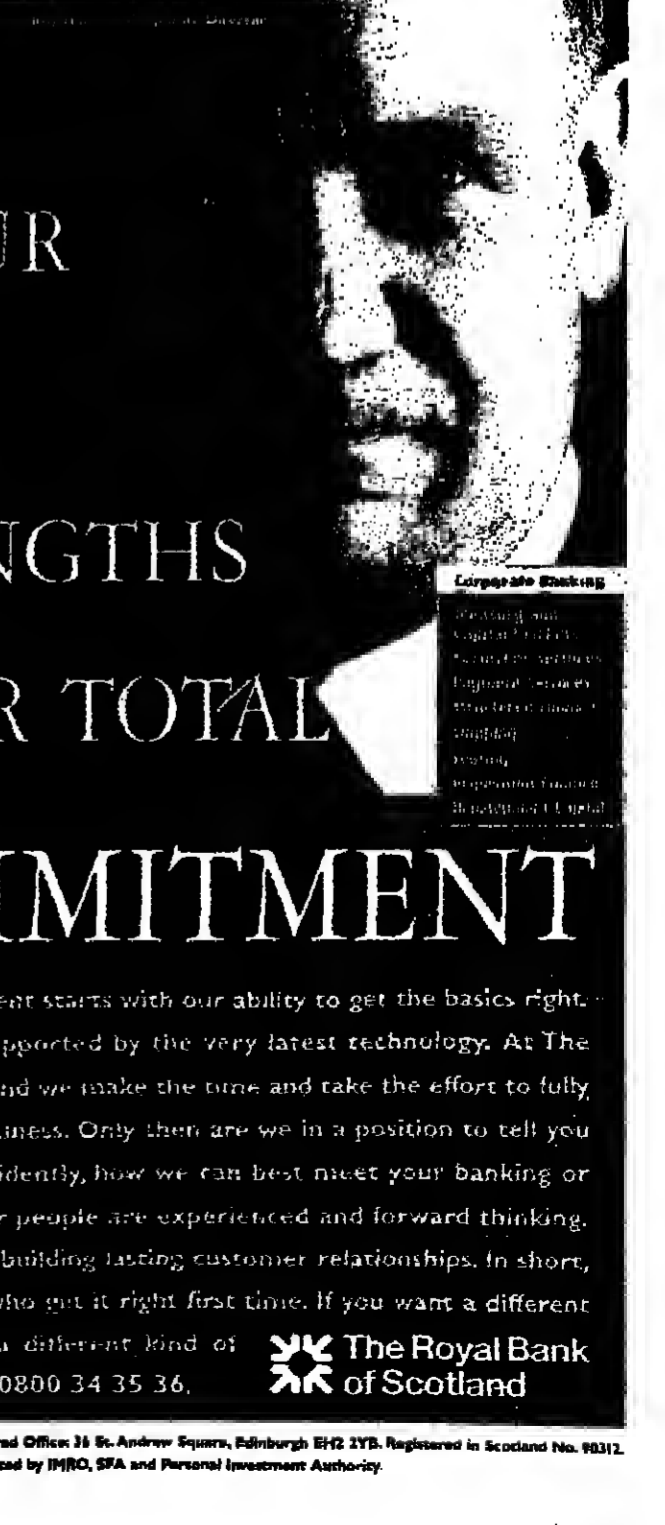
Barry Riley

Not everyone can have a weak currency

Behind the erratic progress of sterling - at one stage yesterday it had risen by 8 pence since last week's UK Budget, before diving 6 pence - lies a much bigger triangular game involving the dollar, the yen and the D-Mark bloc. Everybody wants a strong dollar, although the Americans are becoming equivocal about it. Japan and continental Europe desperately need economic growth, and so they want their currencies to be competitively priced. Moreover, central banks around the world have increasingly vast holdings of dollars and dollar-denominated securities, and it would be unfortunate if these reserves were to decline in value.

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Europeans are anxious not to suffer collateral damage from the dollar-yen battle. The snag is that the US has a large trade gap, which widened sharply to \$11.3bn for September. This does not fit in with the usual calculations that the dollar is undervalued on the basis of purchasing power parity. Americans are poor savers, so their economy easily gets out of balance with the big-saving countries of Japan and Europe. In addition, US multinational companies retain profits and other wealth overseas, exaggerating the problem. Huge cash flows from abroad are required to balance the books. This constitutes a destabilising loop which cannot persist indefinitely. An uncompetitive dollar widens the trade gap - Japanese car exports to the US

COMPANIES AND FINANCE: INTERNATIONAL

Strong demand for Gas Natural offering

By Tom Burns in Madrid

Gas Natural, Spain's dominant gas importer and distributor, yesterday reported strong demand for the remaining 3.8 per cent of the group owned by Sepi, the public-sector holding company, after setting a high price for the disposal.

Sepi will earn Pta36.9bn (\$324m) from the sale, after the 1.4m shares offered to institutional investors were priced at Pta26,000 each. The offering was 3.4 times oversub-

scribed and demand was particularly high on the domestic institutional tranche.

The disposal was the first market privatisation by Spain's new centre-right government, and comes before the sale early next year of the remaining 10 per cent of state-owned equity in Repsol, the leading domestic oil and chemicals conglomerate, which in turn owns 46 per cent of Gas Natural.

Unusually for a Spanish issue, the Gas Natural sale was weighted

towards domestic institutions, which were offered 60 per cent of the shares owned by Sepi, compared with 40 per cent offered to the international investors.

In an early assessment of the disposal, BBV Interactivos, the broking unit of the big domestic banking group which co-ordinated the sale with SBC Warburg, said the offer was 3.9 times oversubscribed on the domestic tranche, and 2.7 times on the international institutional tranche.

Analysts believe the success of the disposal is now likely to prompt a similar weighting towards the home market in the offer structure of future privatisations.

As well as Repsol, the government plans to sell its remaining 21 per cent stake in Telefonica, the national telecoms company, early next year and about 20 per cent of Endesa, the leading electricity utility, towards the end of the year.

In all, the government plans to raise \$7.8bn in privatisation receipts during 1997, double the amount raised in any single year from the sale of state-owned equity in Spain.

Yesterday's price represented a 1.9 per cent discount on Gas Natural's closing price of Pta26,500 on Monday on Madrid's Bolsa. In the past month, the company's share price has risen about 10 per cent, but it still has to recover its year's high of Pta27,420, reached in July.

TENDER NOTICE
UK GOVERNMENT
ECU TREASURY BILLS

For tender on 10 December 1996

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 10 December 1996. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England for the account of the Exchange Equalisation Account.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 12 December 1996 and will be in the following maturities:

ECU 200 million for maturity on 16 January 1997.
ECU 500 million for maturity on 13 March 1997.
ECU 300 million for maturity on 12 June 1997.

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 10 December 1996. Payment for Bills allotted will be due on Thursday, 12 December 1996.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with ESO, Euroclear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at Customer Settlement Services, Bank of England after 1.30 p.m. on Thursday, 12 December 1996 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005616 with Loyds Bank Plc, Bank Relations, St George's House, PO Box 787, 8-9 Esplanade, London EC3M 1LL. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserves the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1995, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of the Information Memorandum (as supplemented) and to the provisions of this notice.

9. The ECU 50 million of Bills to be allotted directly to the Bank of England for the account of the Exchange Equalisation Account will be for maturity on 12 June 1997. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
3 December 1996

Falling paper prices
hit earnings at SappiBy Mark Ashurst
in Johannesburg

Sappi, the South African pulp and paper producer, announced a 73 per cent drop in earnings after a year of falling paper prices brought production to a standstill at most mills.

Weak demand and an average of three to four weeks downtime at most mills knocked operating income, which fell 46 per cent to R1.2bn (\$259m). Earnings for the year to September 30 dropped from 846 cents to 230 cents a share. The final dividend was 140 cents a share.

Mr Eugene van As, chairman, described the performance as "credible" in the face of "awful" trading conditions. Net income slumped from R1.36bn to R404m, as operating margins fell from 17 per cent to 8 per cent.

The decline had prompted 27 changes in senior management after the group failed to predict the fall in

pulp prices. Instead, capital expenditure on three new mills in Southern Africa topped R3bn, exceeding total cash flow from operations of R2.4bn. "We got our timing a bit wrong. We were expecting a year of earnings growth," Mr van As said.

Analysts said the results were at the lower end of expectations, but added that Sappi was undervalued against the sector. The shares lost R1 to close at R41, which gives a forward p/e ratio of about 6.5.

The debt to equity ratio rose slightly from 0.97 a year ago to 0.99 at September 30. Interest cover fell from 2.9 to 1.3 as financing costs of R84m absorbed more than half of operating income.

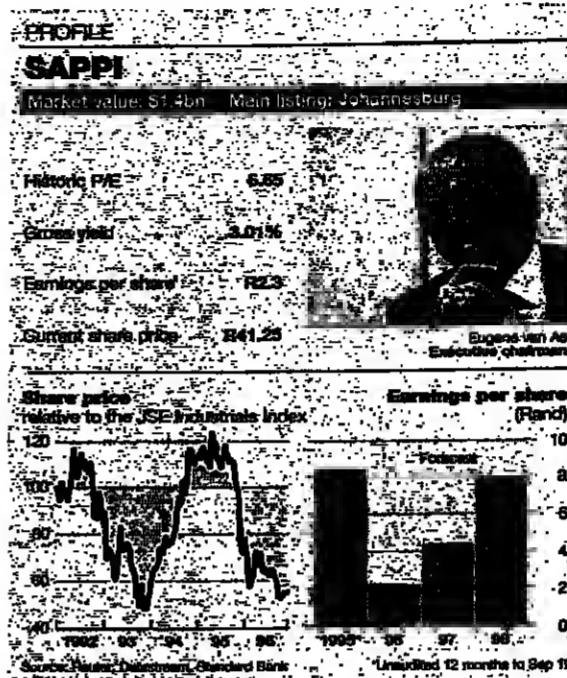
Mr Murray Winckler, head of research at Deutsche Morgan Grenfell, said that in spite of the poor performance, Sappi "looked attractive relative to counterparts". The average forward p/e ratio of European pulp and paper produc-

ers was 12.3, which he said was out of proportion to their lower gearing.

Turnover rose 15.2 per cent to R15.3bn, compared with R13.3bn in the previous 12 months, which included nine months of contribution from Warren, the US pulp and paper producer acquired at the start of 1995.

Warren contributed 48 per cent of turnover compared with 19 per cent from the businesses in Germany and the UK. Mr van As said southern Africa contributed 33 per cent of turnover, of which 19 percentage points was from local operations and 14 points from assets in offshore markets.

The benefits of the weaker rand were offset by forward cover on about one-third of sales from southern Africa. The results included losses from these contracts until December, after which Sappi would "move into the new year with no forward cover on foreign exchange sales," Mr van As said.



Sappi had finalised arrangements to buy out minorities in Warren, who hold about 22 per cent of the total stock, for \$138m in shares or cash. The acquisition was not expected to have a material impact on earnings for the current year, nor on Sappi's net

asset value per share. The integrated structure of the group would reduce Sappi's exposure to volatile pulp and paper prices, Mr van As said. He expected a "slow improvement" in 1997, but warned that excess capacity could disrupt prices towards the end of the year.

ABB chief
executive
joins GM
boardBy Greg McIvor
in Stockholm

Mr Percy Barnevik, who is stepping down as chief executive of Asea Brown Boveri, the Swiss-Swedish electrical engineering group, has joined the board of General Motors.

GM said it had approached the 55-year-old Swede because of his expertise in business globalisation and technology. Mr Barnevik is joined by Mr George Fisher, chairman and chief executive of Eastman Kodak, the US photo-imaging company.

The two appointments expand the number of GM directors to 16.

Mr Barnevik announced in October his intention to relinquish his management role at ABB, which he forged into one of the world's leading heavy engineering groups.

He is scheduled to hand over as chief executive at year-end to Mr Göran Lindahl, a fellow Swede, but will remain ABB group chairman.

Mr Barnevik had expressed a desire to pursue other projects and has an indirect connection with GM through his membership of the board of Investor, the Wallenberg holding company.

Investor and GM share ownership of Saab, the Swedish carmaker.

Thyssen Telecom to form multimedia unit

By Frederick Stüdemann
in Berlin

Thyssen Telecom, a unit of the German conglomerate Thyssen, said yesterday it was establishing a new subsidiary to provide multimedia services for corporate customers.

The new company, Multi-

media Service Gesellschaft (MSG), will take in several Thyssen Telecom subsidiaries, including Spaceline, a satellite communications unit; Ontel, an online service operator; Xend, an audio-visual services company; Dialok, a call centre; and an Internet access provider, IS Internet Services.

The formation of MSG, which will be based in Düsseldorf and is forecast to have turnover of DM300m (\$194.8m) by 2001, follows Thyssen Telecom's failure in June to link up with DBKom, the telecoms unit of the federal rail company Deutsche Bundesbahn.

DBKom opted for a joint venture with Mannesmann, the arch-rival of the Thyssen group.

Mr Hans-Erich Forster, Thyssen Telecom chairman, said the company was now concentrating on three strategic business areas: mobile telephony, corporate fixed-network services and multimedia services.

Mr Forster dismissed speculation that Thyssen was thinking of retreating from the telecoms business, pointing out that in a recently announced restructuring of the whole Thyssen group, telecoms - which are still a loss-making venture - had been identified as a core business.

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COMPANIES AND FINANCE: EUROPE

Sideways move seen as grooming Demel for chairmanship of the German carmaker

Audi head goes to VW Brazil

By Wolfgang Münchau in Frankfurt and Heig Simonian in London

Mr Herbert Demel, chairman of Audi, Volkswagen's executive cars subsidiary, is to head VW's big South American operations in a move that could pave the way for an eventual bid for VW's chairmanship.

The shift will be confirmed at a meeting today of Audi's supervisory board, which will appoint Mr Franz-Josef Paeffgen, Audi's head of research and development, as new chairman.

The moves follow a string of job changes within VW this week provoked by the resignation of Mr José Ignacio López, VW's head of production and purchasing.

Mr Demel is replacing Mr Pierre-Alain de Smedt, who is to become chairman of VW's Seat subsidiary in

Spain. However, the move is not connected to the departure of Mr López, whose role as head of the supervisory board of VW do Brazil has been assumed by Mr Ferdinand Piëch, VW chairman.

Mr Demel's sideways move probably masks an attempt to groom him as a potential successor to Mr Piëch. The two men worked closely together at Audi when Mr Demel was in charge of research and development during Mr Piëch's time as chairman.

While Audi has thrived under Mr Demel, he lacks foreign experience. Taking charge of the Brazil operation, which includes responsibility for Argentina, would give him his first taste of running a big company outside Germany.

VW do Brazil, VW's biggest foreign subsidiary, has seven plants and is a local

market leader. Although the DM10bn (\$6.5bn) annual sales at the South American operations are smaller than Audi's forecast DM18bn this year, output at the two units is similar.

Separately, German analysts yesterday calculated VW's shares could slump by between 15 and 20 per cent in a "worst-case" scenario should GM secure large damages in its US civil court case against the German carmaker over alleged industrial espionage.

Ms Rola Kautz, BHF analyst, said the shares could fall from yesterday's close of DM592 to DM480 if GM were to win \$5bn in damages under the Racketeer Influenced and Corrupt Organisations Act (RICO). Under RICO, a US law used in the fight against organised crime, a court can award triple damages.



Herbert Demel: Audi has thrived under his leadership

Mr Falk Frey, analyst at Bank Julius Bär, a Frankfurt-based bank, calculated that VW shares could fall DM90. He also reclassified VW as a high-risk stock, while retaining a buy recommendation.

GM has accused VW of industrial espionage with

the appointment of Mr López, a former GM executive, to the board of Volkswagen in March 1993. Adam Opel, GM's German subsidiary, alleges Mr López stole internal documents and made them available to VW.

Mr Frey of Bank Julius Bär said VW was strong

enough to withstand the worst possible outcome of a court case. "Even the worst case conceivable would not jeopardise Volkswagen as a corporation," he said.

German state prosecutors are expected shortly to bring a criminal indictment against Mr López.

EUROPEAN NEWS DIGEST

SMH forecasts record sales

SMH, the world's biggest watchmaker, expects record sales in 1996. Mr Nicolas Hayek, chairman of the Swiss company, whose brands range from the luxury Blancpain to the mass-produced Swatch, said yesterday he expected group sales to rise between 5-7 per cent this year and be close to the 1992-93 figure of SFr2.8bn (\$2.13bn).

He said October had been a record month, with sales in the US, Japan, UK and Asia doing "very well". SMH profits, which peaked at SFr441m in 1993, have been hit by the strength of the Swiss franc. SMH exports the bulk of its output. Mr Hayek said the strength of the Swiss franc had meant that the amount SMH received for a L50,000 watch in Italy, for example, sank from SFr62 in 1992 to SFr52. However, the Swiss Franc's recent weakness had raised SMH returns and 1996 would be a "good year". How good, however, depended on December, which accounts for 15-20 per cent of annual sales. SMH's registered shares closed 2.5 per cent higher yesterday, at SFr195.75.

William Hall, Zurich

Banco di Napoli draws lone bid

The Italian Treasury is now able to authorise the planned L2,000bn (\$1.32bn) capital increase in Banco di Napoli after receiving a commitment from only one institution to present a bid for its 60 per cent stake in the bank. By the deadline on Monday night only Mediocredito Centrale, the credit institution wholly owned by the Treasury, had said it would definitely take part in the auction planned for December 20. Although other bids may still be lodged, Mediocredito Centrale now has a pre-emptive right of acquisition. It is understood that the European Commission will not object to its bid because of the transparency of the process.

John Stinkins, Milan

Compagnie Bancaire sells stake

Compagnie Bancaire, the French banking group, yesterday raised FF1.5bn (\$287m) by selling a 6 per cent stake in Cetelem, its consumer credit subsidiary. As a result, Compagnie Bancaire reduced its holding in the unit from 72 per cent to 66 per cent and increased the free float of the shares by about 21 per cent. The 1.28m shares were sold at a price of FF1.175 per share - a 5 per cent discount to yesterday's closing price of FF1.239.

The sale was carried out through a block trade, with Paribas acting as bookrunner and SBC Warburg as joint lead manager. A block trade - also known as a bought deal - involves a bank buying a block of shares using its own capital, to sell to investors at a profit. Compagnie Bancaire is listed on the Paris Stock Exchange where 51 per cent of its shares trade, the rest is held by Compagnie Financière de Paribas.

Conner Middleton, London

Corporate raider builds 27% stake in Cofide

By John Stinkins in Milan

Mr Luigi Giribaldi, the Monte Carlo-based corporate raider who has been buying shares in Cofide, the quoted holding company of Mr Carlo De Benedetti, said yesterday that, together with allies, he now controlled about 27 per cent.

A stake of this size could put Mr Giribaldi in a position of some influence in the event of any restructuring of the companies controlled by Cofide or Cir, an industrial holding company in which Cofide has a 43.7 per cent

stake. Through Cir, the De Benedetti family holds 15 per cent of Olivetti, the troubled Italian information technology company.

Mr Giribaldi, a 71-year-old businessman, first bought shares in Cofide in February. He said then he foresaw "friendly collaboration" with Mr De Benedetti, whom he knows personally. Since then he has been reticent about his intentions and, when he continued buying the shares, speculation arose as to whether he was acting in concert with Mr De Benedetti or whether he had hostile intentions.

In an interview yesterday, Mr Giribaldi refused to be drawn on his plans. However, he said there was no "war" with Mr De Benedetti and that he was "very willing" to have closer ties. "A lot depends on Mr De Benedetti and whether we talk or see each other," he said. "I respect Mr De Benedetti and have a lot of faith in him."

Mr Giribaldi said he had 20 per cent of Cofide and, with three or four allies, he controlled about 27 per cent. On reaching 20 per cent, a shareholder has the right to call an extraordinary meeting.

Mr Giribaldi said he had continued to buy Cofide shares because their low price for much of this year had made them a good investment. The shares, which last night closed down L5.6 at L762.1, fell below L400 in September. Mr Giribaldi said his shares had cost an average L520.

He said that "for now" he had no plans to take his stake beyond 20 per cent. "My investment and the safeguarding of my interests is my principal concern," he said. Mr Giribaldi added that he also held 5 per cent of Cir. "I like Cir a lot - it

has interesting assets," he said.

On Monday, when it became clear Mr Giribaldi had reached 20 per cent, Cofide was quick to point out that the company was controlled by a shareholders' pact, due to run until 2000, which accounts for 48.99 per cent of the capital. It includes Mr De Benedetti, the insurance group Generali, the merchant bank Mediobanca, and Mr Carlo Caracciolo, chairman of the L'Espresso publishing group. Sources close to the De Benedetti family said Mr Giribaldi was regarded as a neutral figure.

Bank deal triples year's volume on Ukraine SE

By Matthew Kaminski in Kiev

Bank Ukraina, the former agricultural state bank, yesterday placed 5.4 per cent of its shares with western institutional investors, nearly tripling the year-to-date volume on the Ukrainian Stock Exchange.

The 3m hryvnia (\$1.7m) deal, the largest trade on a regulated Ukrainian second-

ary equity market, matched all the year-to-date activity on the computerised "over the counter" market.

The joint-stock bank sold 273m shares at a nominal price of 0.011 hryvnia as part of its drive for foreign investment.

Ukraine plans a share issue by April that would give the European Bank for Reconstruction and Development a 20 per cent stake,

according to Mr Tomas Fiala, director of the Kiev office of Wood & Company, a Prague-based brokerage which handled yesterday's sale.

Ukraine is the biggest bank in Ukraine, with assets of \$1.5bn that gave a return of 12.5 per cent last year. Its return on equity is 83 per cent, twice the current yield on Ukrainian government treasury bills.

Ukraine has 228 commercial banks with total assets of \$9bn.

State interference in Ukraine's activities casts a shadow over the formerly government-owned bank's finances. Half its loan portfolio remains in agriculture as the government forces through loans to the struggling sector. Non-performing loans have fallen from 49 per cent of the portfolio

at the start of this year to 22 per cent.

The bank also carries an unwieldy staff of 26,000 that analysts believe must be cut by at least 10 per cent for Ukraine to maintain a competitive position.

But traders welcomed the upsurge in activity on the country's sleepy exchanges. Total volume on the Ukrainian exchange, which lists just four shares, was 725,000 hryvnia this year until 1.8m hryvnia in Ukraine shares changed hands yesterday.

The OTC market, which handled the remainder of the shares, has seen 900,000 hryvnia of stock traded since its inception in July.

Analysts estimate Ukraine's opaque secondary markets unofficially handle up to \$1.5m in securities a day. Total market capitalisation has been put at \$1bn.

Ericsson in Brazil move

Ericsson, the Swedish telecommunication company, has acquired the majority of votes in its Brazilian associated company Ericsson Telecomunicacoes. The acquisition was made through a swap of preference shares for the same number of voting shares with Matel, the local controlling shareholder in Ericsson Telecomunicacoes. Ericsson's total holding in the company remains at 50.5 per cent.

AFX Netos, Stockholm

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November 1996

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COMPANIES AND FINANCE: ASIA-PACIFIC

Malaysian Mining quits Bakun team

By James Kyngge
in Kuala Lumpur

Malaysian Mining Corp, the country's leading mining company, has pulled out of the consortium set up to operate the Bakun hydro-electric dam.

Analysts say the move reflects growing concern over the financing of south-east Asia's biggest infrastructure project, which will cost \$13.5bn (US\$5.4bn) to build.

Mr Anwar Ibrahim, the deputy prime minister and

finance minister, said yesterday that Malaysian Mining had reversed an earlier decision to take a 5 per cent stake in Bakun Hydro-electric Corp, the company which will operate the dam. He said the mining group felt it would not have enough say in the management of the project.

Industry analysts, however, say the decision also reflects widespread concern in Malaysia that Bakun Hydro-electric Corp's planned initial public offering may be undersubscribed.

Bakun is being listed under special guidelines which allow infrastructure projects without current earnings to raise equity finance.

Bakun is not expected to make operating earnings until 2002 or 2003, when it starts to produce electricity. For some investors - especially foreigners, who have been allocated a 10 per cent share of Bakun's equity - this wait is too long. Many also feel that risk associated with the project, which will require the laying of the

world's longest undersea cable, is too great.

The government investment arm, Khazanah Nasional, has agreed to take over Malaysian Mining's proposed 5 per cent stake, Mr Anwar said. He added that any company interested in taking the 5 per cent stake from Khazanah could negotiate with the finance ministry.

Mr Ting Pek Khing, executive chairman of Ekran, the company managing the dam's construction, has said he wants Bakun Hydro-

electric Corp's IPO to take place at the end of this year, or the beginning of next.

Apart from the 10 per cent foreign investor allocation, some 15 per cent of the shares are being reserved for local investors, with the remainder going to Ekran and various government organisations or government-linked companies.

The main contractor in construction of the dam is ABB Asea Brown Boveri, the Swiss-Swedish engineering group.

CME to press on with Taiwan futures

By Laura Tyson in Taipei

The Chicago Mercantile Exchange has set a date of January 8 for the start of trading in Taiwan index futures, in spite of pleas by Taiwan regulatory authorities to delay the launch.

The CME has obtained US regulatory approval to list Dow Jones Taiwan Stock Index futures and options. The contracts are based on an index of 117 of the largest and most liquid stocks on the Taiwan Stock Exchange.

They will trade exclusively on the Globex after-hours electronic trading system, set up by the CME in partnership with Reuters Holdings and the Marché à Terme International de France (Matif).

As the trading hours of Globex coincide with those of the Taiwan Stock Exchange, Taiwan regulators are concerned that CME trade could negatively affect domestic share price movements.

"We asked them if they could wait until our domestic futures market was set up and then we both could start trading at the same time, but it seems they want to go ahead," an official at Taiwan's Securities and Exchange Commission said yesterday.

The official said preparations were under way for the establishment of a domestic futures exchange, but the timing depended on when the Legislative Yuan, Taiwan's national legislature, passed a futures trading law.

The CME offered to delay trading the products until January 15 if the Taiwan Stock Exchange signed an information-sharing agreement, but no accord was signed.

"We've talked in the past about using the after-hours system as an incubator for new products," the CME said, adding the contracts may trade in open outcry if there is enough interest on Globex.

ASIA-PACIFIC NEWS DIGEST

TNT to sell Union Shipping interest

TNT, the Australian transportation group being acquired by the Netherlands' KPN group for A\$2bn (US\$1.62bn), is to sell its 60 per cent interest in the Union Shipping business to New Zealand's Brerley Investments, which holds the other half-interest. No price was disclosed.

Union Shipping runs ship-owning, management and agency services in New Zealand and Australia. The New Zealand-based operations are concentrated on trans-Tasman bulk and liner services, while the Australian business takes in a half-share in Coastal ExpressLine, which operates a three-vessel service between Melbourne and Sydney and Tasmania. Union operates four ships, and incurred a small loss in 1995-96, according to TNT's earnings statement, but had been marginally profitable in the previous two years.

Nikki Tait, Sydney

Payout at George Weston

Shares in George Weston, the Australian foods manufacturer controlled by Associated British Foods, jumped 26 cents to A\$8 yesterday after it announced it would pay a special one-off dividend worth A\$1 a share. The company told shareholders at its annual meeting that the payment was in acknowledgment of the recent improvement in profits and sales, but should not be anticipated as a regular event.

The company posted an after-tax profit of A\$54.1m (US\$44.1m) in 1995-96, on sales 13.3 per cent higher at A\$1.29bn. It also said trading in the first three months of 1996-97 was in line with expectations.

Nikki Tait

China group to raise HK\$1bn

China Resources Enterprise, the mainland-owned conglomerate, is raising some HK\$1bn (US\$129.3m) through a share placement to help fund its proposed acquisition of a stake in Hutchison International Terminals, the ports company. According to underwriters, China Resources Enterprise is to place 91m shares at HK\$11.25 each, cashing in on Hong Kong's buoyant stock market, which last week reached a record high.

The funds will help acquire the 10 per cent stake in HIT now held by the parent company, China Resources Holdings, which is being sold for US\$450m. China Resources Enterprise will finance the balance with a bridging loan of \$150m, and also plans a second placement later, underwriters said.

The deal is the second cash-raising exercise by the company, which has been one of Hong Kong's fastest growing "red chips", or China plays, in recent months. Last month it spun off its China property division in a separate listing. China Resources is an arm of China's ministry of foreign trade and economic co-operation.

Louise Lucas, Hong Kong

LG Chemical in India buy

LG Chemical, of South Korea, a unit of the LG conglomerate, said yesterday it had bought Hindustan Polymers of India for \$36m, as part of its expansion efforts in Asia.

Hindustan Polymer makes 40,000 tons of polystyrene, 10,000 tons of expanded polystyrene insulation and 20,000 tons of styrene monomer a year. LG Chemical is also considering plans to construct another polystyrene plant in the country.

AFX News, Seoul

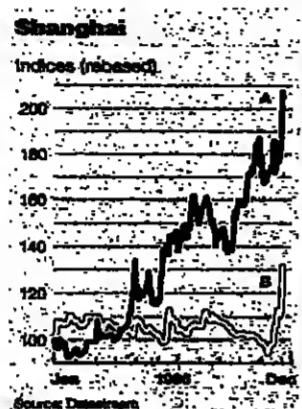
China to open up A-shares to foreigners

By John Ridding
in Hong Kong and Sophie Roell in Beijing

China plans to open its domestic A-share market to a limited number of foreign fund management companies next year, according to a senior official at the People's Bank of China.

However, Mr Chen Yuan, deputy governor of the Chinese central bank, said that the proposed pilot scheme did not signal the merger of the A-share market with the B-share market, which is reserved for foreign investors.

"We are talking about having very few joint-venture fund management companies participate in the pilot scheme," said Mr Chen, speaking after a conference in Hong Kong. "Foreign fund managers can raise funds from the domestic markets and invest in A-shares. The foreign partner would do technology transfers," he said.



Speculative surge: traders on the Shanghai Stock Exchange

China has been reluctant to allow foreign investment in the A-share market, fearing instability caused by rapid inflows and outflows of foreign capital.

"At the same time, however, it is thought that foreign fund management might dampen speculation in the A-share market by promoting longer-term, institutional investment. The A-share market is still dominated by retail investors, which has contributed to volatility."

Mr Chen also said yesterday that China would grant licences soon for foreign banks to conduct local currency business in Shanghai. A statement was expected in days rather than weeks, he said.

Mr Chen did not say how many licences would be granted, but the Shanghai Star newspaper named three successful candidates - Citibank, the Hong Kong and Shanghai Banking Corp, and Tokyo-Mitsubishi Bank.

Mr Chen's comments came amid strong speculation that Beijing was considering opening up the A-share market to foreign investment.

The Shanghai stock market rose 9.9 per cent on Monday, before slipping yesterday. B-shares in Shanghai rose 11.6 per cent, on expectations that Beijing might introduce measures to lift the market.

Several foreign investment companies have urged an end to the separation of A-share and B-share markets, arguing the B-share markets in Shanghai and Shenzhen have suffered from a lack of liquidity.

Last month, Mr Philip Tsui, chairman of Peregrine Investment Holdings, the Hong Kong-based merchant bank, called for a merger of the A-share and B-share markets. He said controls on

foreign ownership could be achieved by investment limits, as in other markets.

An obstacle to a market merger is currency convertibility. While the yuan has been convertible on the current account since the beginning of this month, full convertibility appears a long way off. Without this it is unclear how foreign funds could be exchanged for yuan to invest in A-shares.

Sanyo moves into long-distance telecoms

By Michio Nakamoto
in Tokyo

Sanyo, the consumer electronics company, has unveiled plans to enter Japan's increasingly competitive long-distance telecoms market.

The move follows deregulation in the autumn, which opened the market to competition from

companies outside the telecoms industry.

Sanyo said that from January it would use its domestic leased-line network to offer long-distance telecoms services at rates 30 per cent lower than those charged by NTT, the dominant domestic operator.

Deregulation put in place in October allowed companies which lease private lines from telecoms

operators to connect both ends of their leased lines to the public network.

Sanyo's initiative follows announcements that Matsushita, Japan's largest consumer electronics company, and Mitsubishi Electric also plan to offer telecoms services next year using their leased lines.

Following deregulation of the domestic leased-line market, the

ministry of posts and telecommunications is expected next year to allow leased lines in the international market to be connected to the public network at both ends.

The move should spur competition in the international market. The cost of calling to another country is substantially higher in Japan than in other industrialised countries.

Fortis raises forecast

Key figures Fortis AG and Fortis AMEV first three quarters

	Fortis AG (in BEF)			Fortis AMEV (in NLG)		
	1996	1995	In %	1996	1995	In %
Net earnings per share	266	231	15	5.33	2.89	15
Equity per share	2,715	2,258	21	57.43	31.89	17

^{*)} Revised 1995.
^{**)} 1995 adjusted to reflect changes in capital.
^{***)} Figures after the Fortis AMEV share split in June 1996.

During the first nine months of 1996, Fortis' net profit rose by 18% to ECU 554 million. The operating result increased by 16% to ECU 863 million. This fine development is attributable to growth in the result from life insurance, other non-life insurance and banking. Total income increased by 9% to ECU 13.8 billion. On balance, movements in exchange rates had virtually no impact on Fortis' results.

The earnings per share of both Fortis AG and Fortis AMEV rose by 15%

Key figures Fortis first three quarters

(in ECU million)	1996	1995	Increase in %
Total income	13,790	12,693	9
Operating result	863	742	16
Net profit	554	469	18
Net equity	5,474	4,776	15
Total assets	127,143	125,486	1

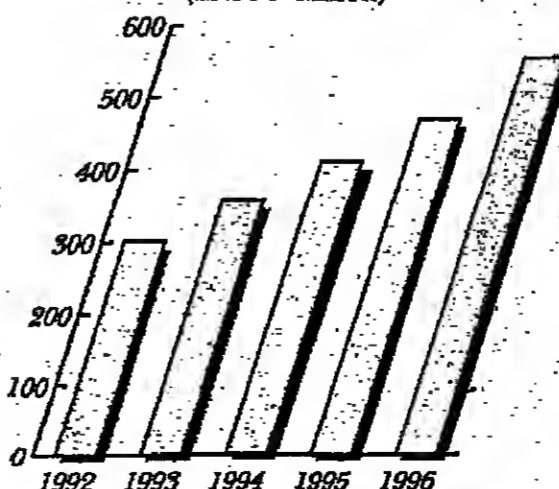
^{*)} Revised 1995.

Prospects

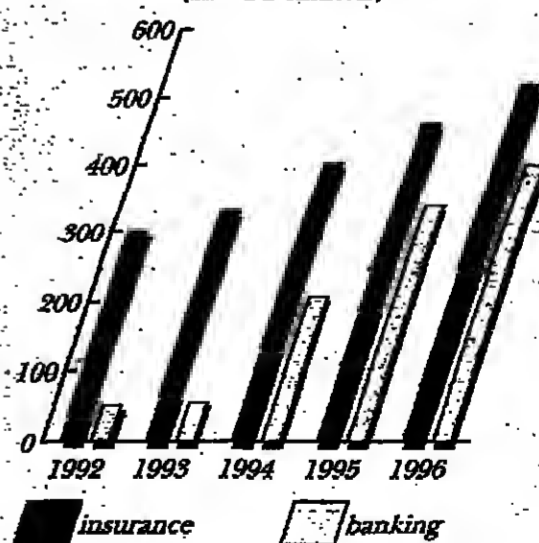
In view of the fine results, Fortis is raising its forecast: barring unforeseen circumstances and sharp fluctuations in exchange rates it is expecting an increase of between 12 and 15% in its net profit for the whole of 1996.

The two parent companies of Fortis also raise their forecast. They are expecting an increase of at least 10% in earnings per share for 1996 as a whole.

Net profit Fortis first three quarters 1992 - 1996 (in ECU million)



Operating result Fortis first three quarters 1992 - 1996 (in ECU million)



Information

A copy of the three quarter results report of Fortis and its two parent companies can be obtained by contacting Fortis Group Communication.

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Boulevard Emile Jacquain 53
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Belgium
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Fax: 32 (0)2 220 80 92

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Archimedeslaan 6
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Fortis is an association of financial groups. It is active in the field of insurance, banking and investment in Western Europe, the United States and Australia through its subsidiaries, Fortis companies. Fortis has over 30,000 employees.

It is possible to invest in Fortis through the shares and depositary receipts for shares in its two parent companies, Fortis AG and Fortis AMEV, each of which owns 50% of Fortis.

Fortis AG is listed on the exchanges of Brussels, Antwerp, London and Luxembourg. Fortis AMEV is listed on the exchanges of Amsterdam, London and Luxembourg and has a sponsored ADR program on the United States.

COMPANIES AND FINANCE: THE AMERICAS

Four Seasons joins Carlson in hotel deal

By Bernard Simon
in Toronto

Four Seasons, the Toronto-based luxury hotel operator, has formed a partnership with Carlson Hospitality Worldwide, the privately-held US travel, hotel and restaurant group, to expand the Regent International hotel chain.

Regent's nine existing properties include some of the Pacific Rim's best-known hotels, such as those in Hong Kong, Sydney and Singapore. Carlson intends to double the size of the chain over the next two to three years.

Regent is wholly-owned by Four Seasons but has a separate management team, based in Hong Kong.

The deal with Carlson is designed to marry the Regent brand name and Four Seasons' expertise in luxury hotel management, with the Minneapolis-based group's franchising and marketing muscle.

Four Seasons said it was attracted by Carlson's wide access to sources of capital to develop new hotels. Carlson's other interests include the International Radisson Hotel chain, which is run largely by franchisees.

Carlson's extensive travel agent network, comprising 4,000 outlets in 125 countries, will also be used to promote Regent hotels.

Under the deal, Four Seasons will retain its management contracts for the existing Regent chain until they expire.

Carlson will set up a wholly-owned subsidiary to franchise new Regent properties. Four Seasons will share in the franchise fees, but will have no ownership interest or financial exposure to these hotels' operations.

Separately however, Four Seasons will be free to sign management contracts with new Regent hotels, sharing its fee income with Carlson. Mr Doug Ludwig, Four Seasons' chief financial officer,



The Regent Hotel in Sydney

said yesterday that "we'll both be motivated to source growth opportunities for Regent on both the franchise and management fronts".

The Canadian group, which retains ownership of the Regent brand name, aims to exert a measure of control over the enlarged chain through a detailed code of physical and operations standards, to be compiled in co-operation with Carlson. "We are explicitly responsible for contributing to that

process," Mr Ludwig said. Four Seasons, a listed company controlled by its founder, Mr Isadore Sharp, has been seeking ways to extend its reach with limited financial resources.

Prince al-Waleed bin Talal Abdulaziz, the Saudi Arabian investor, bought a 26 per cent stake in 1994, and has become an active participant in the chain's expansion. Four Seasons is due to open three hotels of its own within the next year, in Indonesia, California and Goa, India.

AMERICAS NEWS DIGEST

Loctite struggle reaches deadline

The transatlantic struggle for control of Loctite, the US adhesives and sealants company, is due to come to a head later today with a deadline set for the submission of bids for the company.

The passing of the deadline, fixed for this afternoon in New York, should reveal whether the company has attracted any potential buyers other than Henkel, the German chemicals company which is already its largest shareholder. It was Henkel's \$1.2bn bid for the 85 per cent of Loctite that it does not already own that prompted the auction procedure now under way at the US company.

In spite of a report yesterday that Loctite was in discussions with another, unnamed bidder, it remained unclear whether the company would receive any rival bids by today's deadline. For its part, Henkel said at the weekend that it had yet to decide whether to submit a formal offer of its own under the rules set out by the US company.

If it does not, the German company could decide either to increase or leave in place its existing tender offer for the company, which is due to expire on January 6, one person close to the company said. Alternatively, it could opt to sell its shares to another, higher bidder - though Henkel has said that its approach to Loctite was not intended as part of an exit strategy.

Even if Loctite manages to attract a rival offer, it may find it difficult to repel Henkel's advances. The German company stands to reap greater cost savings from a merger than many other potential buyers - a consideration which in part accounts for the US company's complaint that Henkel has not offered to pay a high enough price for the acquisition.

Also, with 85 per cent of Loctite's stock already in its control, Henkel would need acceptances from holders of only a fifth of the remaining shares to win control.

Richard Waters, New York

Go-ahead for Manitoba sale

The government of Manitoba, one of Canada's prairie provinces, is going ahead with the C\$950m (US\$702m) privatisation of Manitoba Telephone System and an initial public offering of 70m shares.

The underwriters, RBC Dominion Securities and CIBC Wood Gundy Securities, said the final price would be set by December 20 but would not be higher than C\$13.50 a share. Priority will be given to Manitoban residents, who can pay a first instalment of C\$7 and the balance in January 1998.

The offer is expected to close early in January and the shares will trade in Toronto, Montreal and Winnipeg. No single investor will be allowed to own more than 10 per cent of the MTS shares and if the issue is over-subscribed the issue will be pro-rated.

MTS earned C\$15.1m on revenues of C\$400m in 1996, and C\$23.3m in the first nine months of 1996, against C\$11m a year earlier. MTS will use C\$400m of the IPO proceeds to reduce debt and the Manitoba government, as previous owner, will receive about C\$45m.

If the debt had already been reduced, MTS estimates the latest nine months would have shown a profit of C\$55.9m.

Robert Gibbens, Montreal

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Technical obstacle to US telecoms link

By Richard Waters
in New York

Technical difficulties in linking together the US's long distance and local telephone networks are likely to delay the arrival of full competition in the country's \$100bn local telephone business, a senior executive of AT&T, the biggest long-distance carrier, said this week.

The warning from Mr John Ziegler, AT&T general counsel, comes as state-by-state arbitration hearings are drawing to a close over the commercial terms on which rival telephone companies will eventually link their systems. Evidence from these arbitrations suggests that newcomers will be able

to compete profitably for a share of local call business, Mr Ziegler and other telephone company executives said.

Speaking at a conference organised in New York by Salomon Brothers, Mr Ziegler said of the arrival of local competition: "It's probably going to be longer than a lot of people are predicting."

Uncertainty over deregulation has already cast a cloud over the process this autumn, with a Federal court blocking the nationwide pricing rules developed by the Federal Communications Commission in preference for state-by-state negotiations.

According to Mr Ziegler, though, technical obstacles to competition present a big-

ger problem than regulation. Developing and implementing the software which will make it possible for competitors to buy capacity from local telephone companies and resell it to their own customers was proving time-consuming, making it "extraordinarily difficult getting the [local] exchanges open," he said.

AT&T has been testing a resale arrangement such as this for the past eight months in California, yet is still encountering problems with between a quarter and a third of the 600 test sites, Mr Ziegler said. The AT&T executive called 1997 "the year we have to learn how to do systems that work on a massive scale". Speaking at the same con-

ference, Mr Nate Davis, senior vice-president in charge of local markets at MCI, said of the job of linking local and long-distance networks: "It will be a painful and slow process."

In spite of these warnings, long-distance companies look better placed for local competition than had seemed likely earlier this autumn.

The failure of the FCC to impose national pricing rules had been expected to lead to less attractive pricing terms for newcomers to the local markets, who will largely rely on resale arrangements to provide competition.

That has not been the case so far, said Mr Ziegler. AT&T has completed 27 state-level

arbitration procedures covering some of the biggest states, including California, Texas, New York and Ohio. Of these, 24 had resulted in discount rates for telephone resellers of between 17.25 per cent, the same range that had been recommended by the FCC, Mr Ziegler said.

Also, in 23 cases, the state hearings had resulted in the use of so-called forward-looking costing as a basis for assessing how much new competitors should pay for using individual elements of a local telephone company's network, such as its switches.

This is the costing system that had been proposed by the FCC, and which has been heavily criticised by the local companies.

Barrick pursues talks on Busang

By Bernard Simon
in Toronto

Talks aimed at turning control of Indonesia's vast Busang gold deposit over to Toronto-based Barrick Gold may continue beyond today's deadline set by the Indonesian government.

Representatives of Barrick and Bre-X Minerals, the small exploration company that currently controls the licence to the property, were due to meet in Jakarta today in an effort to resolve remaining issues.

However, participants were preparing contingency plans in case agreement was not reached by the deadline.

The government indicated earlier that if Bre-X and Barrick failed to conclude a deal by today it would take unspecified "necessary steps" to prevent further delays in developing the deposit.

Barrick yesterday dismissed moves by Placer Dome, the Vancouver-based mining group, to derail the proposed deal with Bre-X. "Barrick and Bre-X are negotiating in good faith," Barrick said.

Busang, located in East Kalimantan, has reserves presently estimated at 47m ounces, and possibly as high as 100m ounces. It is expected to be developed into one of the world's biggest gold mines, with production starting around the turn of the century. Under the Indonesian pro-

posal, Barrick would acquire 75 per cent of Bre-X's stake, which includes a 90 per cent interest in the richest of three zones on the property. The government has asked for a 10 per cent stake.

Placer's strategy is to position itself as an alternative should talks between Barrick and Bre-X collapse. It revealed earlier this week that, prior to the government's involvement, it had discussed a conditional offer with Bre-X at a price "well in excess" of Bre-X's current share price, which values its stake in Busang at C\$4.2bn (US\$3.1bn).

"We were very disappointed to see the auction process pre-empted," Mr John Willson, Placer's chief executive, said.

Placer has told the Indonesian authorities, including President Suharto, that it is willing to make a "competitive" bid for a substantial interest in Busang.

The government's intervention on Barrick's behalf has created a stir among foreign investors in Indonesia. The authorities in Jakarta were said to be concerned that legal disputes over the ownership of Busang were delaying mine construction. Under Indonesian law, title to the resource rests with the government. Bre-X holds an exploration licence, and is currently waiting to receive a "contract of work" that would allow it to proceed with mine construction.

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For the period November 29, 1996 to May 30, 1997 the new rate has been fixed at 6.05938 % p.a.
Next payment date : May 30, 1997
Amount : GBP 30.21 for the denomination of GBP 1,000
GBP 302.14 for the denomination of GBP 10,000
THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST LUXEMBOURG

ABBEY NATIONAL TREASURY SERVICES PLC
FRF 1,000,000,000 Guaranteed 100% Indexed Floating Rate Notes due 2006
Notice is hereby given that the rate of interest for the period from 4 December 1996 to 4 March 1997 has been fixed at 4.88 per cent per annum. The coupon amounts due for this period are FRF 117.25 per denomination of FRF 10,000 and FRF 1,172.50 per denomination of FRF 100,000 and are payable on the interest payment date 4 March 1997.
The Fiscal Agent
BNP BNP Luxembourg SA

MUNDER CAPITAL MANAGEMENT
Munder UK LLC, a subsidiary of Munder Capital Management, has acquired an equity interest in
framlington
The undersigned initiated this transaction, acted as financial advisor to Framlington Holdings Limited and assisted in the negotiations.
BERKSHIRE CAPITAL CORPORATION
October 1996

Japico Ltd

سكيا من الاموال

COMPANIES AND FINANCE: UK

Siebe defies weak markets

By Tim Burt
Siebe, the industrial controls and appliances group, defied weak trading conditions in many of its main product areas by reporting a 32 per cent increase in first-half profits.

the subdued trading conditions in several markets, particularly in continental Europe. The improvement was helped by cost-cutting in areas such as industrial equipment and at Unitech, the power controls business acquired this year for \$585.3m including debt.

pioneered by Motorola and General Electric in the US - is expected to save \$50m a year once fully implemented at Siebe's 150 factories. "That should feed straight through to the bottom line," said Mr Yurko.

Mr Yurko predicted further growth from Unitech once it has been integrated into the temperature and appliance controls division next year. Profits in that division rose from \$69.8m to \$93.2m.



Barrie Stephens (left), chairman, and Allen Yurko

Dorling warns over strength of sterling

By Christopher Price
Dorling Kindersley yesterday became the latest casualty of sterling's strength as the book and multimedia publisher warned that profits would be hit this year by currency fluctuations.

Peter Kindersley, chairman, chief executive and founder, realised \$3.9m from a sale of shares representing about 1 per cent of the company. He retains a 32 per cent stake. Mr Kindersley said the bulk of the rise in sterling had happened since the share sale. The disposal had also occurred a month after the group's annual results announcement, two months prior to which directors were unable to buy or sell shares.

BT and MCI seek US regulatory approval

By Alan Cane
British Telecommunications and MCI, its US partner, yesterday sought the approval of the US telecom regulator for their proposed merger, setting in motion a process that could take a year to complete.

the \$30bn takeover can go ahead. The EU's merger task force must also give its approval, and the UK's Office of Telecommunications and Department of Trade and Industry will be monitoring the deal.

of that fair trading in the US telecoms industry will not be compromised; the FCC will need reassuring that competition will be encouraged.

venture between Deutsche Telekom, France Telecom and Sprint of the US, achieved only conditional clearance from the US authorities last year because the German and French markets remain monopolies.

Mr Yurko predicted further growth from Unitech once it has been integrated into the temperature and appliance controls division next year.

BT is completely open with more than 150 licensed operators competing in a well regulated market. International licences will soon be issued to 45 operators, more than half of them US based.

A need to convince sceptics

The fourth-quarter trading statement from BTR, expected this week, will be unlikely to relieve the scepticism that has sent its shares into a renewed slide. "I would imagine it is going to be quite difficult for them to find something positive to say," says Mr Bruce Macdonald, analyst at brokers NatWest Securities.

Ross Tieman looks at analysts' mixed feelings about BTR's strategy for growth. Mr Ian Strachan, the chief executive, is off to the US later this month to court his new supporters with briefings on his plans to develop the business.

breakdowns are new, and the detail less than analysts desire. The consequence is a deep division between those who believe in a brighter future for BTR, and those deeply sceptical about its ability to deliver.

Ernst & Young breaks tradition. Ernst & Young, the Big Six accountancy firm, yesterday broke with a century of financial secrecy by publishing its first set of annual "pic-style" report and accounts.

Ernst & Young breaks tradition

Ernst & Young, the Big Six accountancy firm, yesterday broke with a century of financial secrecy by publishing its first set of annual "pic-style" report and accounts. E&Y's publication of 50,000 copies of its annual report marks another significant break with the Victorian past of the big accountancy firms.

It wants fuller disclosure if it allows them to protect partner assets. There is also pressure on them to disclose more financial information as they take an increasingly high-profile role in the debate on corporate governance and continue to audit most large public companies.

Severe job losses at Sthn Water

By Jane Martinson
Scottish Power is to shed 2,000 jobs - or almost half the workforce - of Southern Water, the utility it bought for £1.67bn (\$2.78bn) earlier this year. While most of these jobs - some 1,300 - will be lost through the proposed sale of Southern's non-core companies, about 700 jobs are to be cut from the group's core water operation.

efficiency savings to be announced by Scottish Power at its first interim results announcement since the takeover. Some analysts believe that annual cost savings from the regulated business of £40m are needed in order to justify the premium paid by the Scottish group after the botched battle for Southern.

lecoms link

Mr Mark Cusack, at brokers UBS, has no such confidence. "Even if they tell managers to focus on revenue growth, it could take a couple of years to get the right person in place to deliver it," he says. "There are so many uncertainties. We think a price/earnings discount to the market of 20 to 25 per cent is appropriate." At yesterday's share price close of 239p, the discount is in that range.

The trouble was that, by running the businesses to maximise profit margins, BTR had sacrificed too many growth opportunities. After a six-month review, Mr Strachan unveiled plans in September to sell businesses generating a quarter of revenues and focus upon four global businesses: automotive, process controls, power drives, and packaging. These would be supplemented by other areas of strength, in specialist engineering, building products and polymer products.

of that fair trading in the US telecoms industry will not be compromised; the FCC will need reassuring that competition will be encouraged.

Ernst & Young breaks tradition. Ernst & Young, the Big Six accountancy firm, yesterday broke with a century of financial secrecy by publishing its first set of annual "pic-style" report and accounts.

PRIVATISATION: BULGARIA

INVEST IN BULGARIAN ELECTRICAL ENGINEERING
The Bulgarian Government announces a new list of export-oriented electrical engineering and electronics firms, for which bids are sought under the Cash Privatization Programme. The sector is a thriving one within the Bulgarian economy, with a focus on electrical hardware and computer products, including semiconductors. There are reliable links to suppliers of raw materials, including non-ferrous and white-metal inputs. Staff with higher education are readily available, and competitive wage rates contribute to a low cost base. Moreover, many companies and related institutes offer an advanced basis for R&D.

Table with 5 columns: COMPANY, KEY PROJECTS, R&D, TECHNOLOGY, SALES (1995) (% of 1994), EXPORTS (% of SALES). Rows include ELPROP EMT, ELPROP-TRAFU, ELPROP-TRAFU, and EMKA.

Companies wishing to receive further information on these and other companies for sale, as well as the official tender procedures, are invited to contact the Marketing Department, Privatization Agency. Quoting Reference: FT007, Aleksandrov St. 29, 1000 Sofia, Bulgaria. Investor Helpline: Telephone & Answering Service: +359 2 980 8275. Facsimile: +359 2 981 6201 E-mail: bgprk@mbox.digsys.bg

RESULTS table with columns for Company, Turnover, Pre-tax profit, EPS, Current payment, Date of payment, Dividends, Total for year, Total last year.

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. US\$1 stock. *No bonus. **After exceptional charge. ***After exceptional credit. ****Increased capital. After adjustment for share repurchase. *****Comparative restated. **Second interim. Makes 2.133p to date. +A: March 26 launch. +B: Second interim. Makes 2.8p to date. +C: Excludes 1p special dividend. Excludes 25-27p to date.

CITICORP MORTGAGE SECURITIES, INC. U.S. \$57,057,000 REMIC Pass-Through Certificates, Series 1987-13

NOTICE OF REDEMPTION BANQUE INTERNATIONALE A LUXEMBOURG S.A. JPY 1,000,000,000 Step-up Coupon Notes due 13 December 2002

BULGARIA Privatization Agency logo and contact information.

Vertical sidebar with various advertisements including 'MERICAS NEWS', 'ite struggle hes deadline', and 'ad for Manitoba sale'.

INTERNATIONAL CAPITAL MARKETS

Treasuries supported by home sales data

GOVERNMENT BONDS

By Lisa Branstetter in New York and Richard Adams in London

A rising dollar and signs of weakness in the US housing sector helped send US Treasury prices higher in early trading yesterday.

changing hands for DM1.555 compared with DM1.5547 late on Monday. Meanwhile it slipped against the yen, trading for ¥113.82 from ¥114.71 late on Monday.

The benchmark bond closed at 104.49, up 0.12, to yield 5.83 per cent - up three basis points.

The benchmark bond closed at 104.49, up 0.12, to yield 5.83 per cent - up three basis points.

had good days yesterday, with Spanish and French futures contracts reaching record levels.

The December contract for French bond futures went up to a new high of 180.18 in intra-day trading.

PTC offered \$150m loan to cover delay

By Peter Montagnon and Farhan Bokhari in Karachi and Conner Middelmann in London

Citibank and ABN Amro have offered bridging finance of \$150m to Pakistan Telecom to cover delays to the legal contract for their \$225m loan facility.

arranged a \$50m short-term bankers acceptance facility for financing imports he said.

Cades enters dollar sector with \$2bn FRN

INTERNATIONAL BONDS

By Conner Middelmann

The eurobond market saw a surge of dollar issuance yesterday, especially in the floating-rate note sector which absorbed \$2.3bn of fresh paper.

because \$7.2bn worth of these bonds had been redeemed in the final quarter of this year so far but only \$2bn issued.

houses had no qualms with the pricing, some complained that the deal had come at too short notice.

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Spread, Book-runner

Final terms, non-callable unless stated. Yield spread over relevant government bond at launch supplied by lead manager.

Make several bond issues in different currencies under a single legal framework.

The \$225m facility has been well-received because it is backed by foreign currency income from international calls, he said.

Meanwhile, a \$75m five-year multi-currency revolving credit facility for British Land was increased to \$180m and signed yesterday.

WORLD BOND PRICES

Table with columns: Country, Coupon, Bid, Offer, Change, High, Low, Est. vol., Open Int.

Table with columns: Bond Name, Price, Change, High, Low, Est. vol., Open Int.

Table with columns: Bond Name, Price, Change, High, Low, Est. vol., Open Int.

Table with columns: Bond Name, Price, Change, High, Low, Est. vol., Open Int.

US INTEREST RATES

Table with columns: Rate, Bid, Offer, Change, High, Low, Est. vol., Open Int.

Spain

Table with columns: Bond Name, Price, Change, High, Low, Est. vol., Open Int.

UK

Table with columns: Bond Name, Price, Change, High, Low, Est. vol., Open Int.

FT Actuarial Govt. Securities

Table with columns: Bond Name, Price, Change, High, Low, Est. vol., Open Int.

BOND FUTURES AND OPTIONS

Table with columns: Bond Name, Price, Change, High, Low, Est. vol., Open Int.

Germany

Table with columns: Bond Name, Price, Change, High, Low, Est. vol., Open Int.

Japan

Table with columns: Bond Name, Price, Change, High, Low, Est. vol., Open Int.

FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns: Bond Name, Price, Change, High, Low, Est. vol., Open Int.

UK GILTS PRICES

Table with columns: Bond Name, Price, Change, High, Low, Est. vol., Open Int.

Other Fixed Interest

Table with columns: Bond Name, Price, Change, High, Low, Est. vol., Open Int.

DEUTSCHE BANK STRATEGISTS

Table with columns: Bond Name, Price, Change, High, Low, Est. vol., Open Int.

COMMERCE BONDS

Table with columns: Bond Name, Price, Change, High, Low, Est. vol., Open Int.

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CURRENCIES AND MONEY

D-Mark and pound fall as dollar rallies

MARKETS REPORT By Graham Bowley

The dollar rallied strongly on the foreign exchanges yesterday as investors fled the D-Mark over concerns that European authorities were seeking to undermine the German currency.

Trading fell sharply once London trading opened amid rumours that the Bank of England was intervening to limit sterling's appreciation. The pound closed in London at DM2.5879, but this was about six pence down on its peak reached in overnight Asian trading.

The dollar rose sharply after London's close on Monday as the currency markets digested comments made by Mr Otmar Issing, Bundesbank chief economist, and Mr Hans Tietmeyer, Bundesbank president.

Traders said Mr Issing's comments were taken to mean that he would be content with a stronger dollar. Mr Tietmeyer suggested that it would be some time after the start of Emu before the European central bank established its full anti-inflation credentials.

Mr Huw Roberts, strategist at NatWest Markets in London, said "This is the first time that anyone so senior has been so explicit on this subject, suggesting that Emu could lead to a flight to quality."

The US currency's rally continued in European trading. It rose against the yen and touched a 23-month high against the D-Mark.

Traders said the officials might be trying to talk up the dollar in order to weaken the French franc, thus stimulating the French economy.

This caused traders to question the euro's potential status as a reserve currency, and triggered a sell-off of the D-Mark against the dollar.

The D-Mark was further undermined by weak German industrial production data which indicated that German interest rates look set to remain low.

The pound also fell victim to yesterday's market turbulence. Its reversal came as

POUNDS SPOT FORWARD AGAINST THE POUND

Table with columns: Dec 3, Closing mid-point, Change on spot, Bid/offer spread, Days' mid high, One month rate, Three months rate, One year rate, Bank of England rate.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Dec 3, Closing mid-point, Change on spot, Bid/offer spread, Days' mid high, One month rate, Three months rate, One year rate, J.P. Morgan rate.

WORLD INTEREST RATES

Table with columns: MONEY RATES, EURO CURRENCY INTEREST RATES, and various interest rate data for different currencies and terms.

CROSS RATES AND DERIVATIVES

Table with columns: EXCHANGE CROSS RATES, Dec 3, and various currency exchange rates.

UK INTEREST RATES

Table with columns: LONDON MONEY RATES, Dec 3, and various UK interest rate data.

BASE LENDING RATES

Table with columns: Dec 3, and various base lending rates for different banks.

UK INTEREST RATES

Table with columns: LONDON MONEY RATES, Dec 3, and various UK interest rate data.

EMU EUROPEAN CURRENCY UNIT RATES

Table with columns: Dec 3, and various EMU European currency unit rates.

BASE LENDING RATES

Table with columns: Dec 3, and various base lending rates for different banks.

UK INTEREST RATES

Table with columns: LONDON MONEY RATES, Dec 3, and various UK interest rate data.

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Table with columns: Dec 3, and various base lending rates for different banks.

WORLD INTEREST RATES

Table with columns: MONEY RATES, EURO CURRENCY INTEREST RATES, and various interest rate data.

EURO CURRENCY INTEREST RATES

Table with columns: Dec 3, and various Euro currency interest rates.

THREE MONTH EURO CURRENCY FUTURES (LFFE)

Table with columns: Dec 3, and various three-month Euro currency futures data.

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Table with columns: Dec 3, and various three-month Euro currency futures data.

Offered 0m loan to or delay

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BERKELEY FUTURES LIMITED advertisement with contact information.

FUTURES-OPTIONS-FOREX advertisement with contact information.

Market-Eye advertisement with contact information.

FAST 4 KBIT SATELLITE TECHNOLOGY advertisement.

KNIGHT-RIDDER'S FUTURES MARKET DATABANK FROM \$970 advertisement.

WANT TO KNOW A SECRET? advertisement.

SHARES - TAX FREE advertisement with contact information.

Fast Fills. Low Rates. advertisement with contact information.

OFFSHORE COMPANIES advertisement with contact information.

MURPACE advertisement with contact information.

Real-time quotes - Forex data - News headlines advertisement.

SPREAD BETTING ON OVER EIGHTY MARKETS advertisement.

Weekly Petroleum Argus advertisement.

Fast Fills. Low Rates. What's the Catch? advertisement.

There isn't one. That's the way we're doing business for 30 years... advertisement.

Account package. You make your own trading decisions and save 50-70% of full-commission firms. advertisement.

Call and find out for yourself why Lind-Waldock advertisement.

5-25 advertisement with contact information.

Round-trip including exchange fees. Most contracts. Discount accounts. advertisement.

LIND-WALDOCK & COMPANY advertisement with contact information.

SGA SOCIETE GENERALE ACCEPTANCE N.V. advertisement.

CREDIT LOCAL DE FRANCE advertisement.

SOCIETE GENERALE advertisement.

ALLIANCE advertisement.

THE PRINCIPAL PAYING AGENT advertisement.

THE PRINCIPAL PAYING AGENT advertisement.

THE PRINCIPAL PAYING AGENT advertisement.

COMMODITIES AND AGRICULTURE

Australia lifts forecast for winter grain harvest

By Nikkai Tait in Sydney

Official forecasts for Australia's winter grain production, which already stand at record levels, have been raised again following mild spring weather and good rains.

CBOT wheat futures move lower as evidence of record production mounts

Wheat futures at the Chicago Board of Trade moved lower yesterday as traders continued to assess the impact of rapidly-expanding global grain supplies, writes Laurie Morse.

Having opened at 377.25 cents, wheat futures for March delivery were trading at 372.5 cents a bushel at midday - holding above life-of-contract lows of 363 cents reached on November 6.

On top of the news from Australia, traders said industry estimates of Argentina's wheat harvest had moved up to about 16m tonnes -

nearly double last year's crop of 8.2m, and sharply higher than the last official estimate of 14.5m.

Traders nervous after more copper volatility

MARKETS REPORT

By Kenneth Gooding and Robert Corzine

After another volatile day for copper on the London Metal Exchange, traders remained nervous and uncertain about the market's direction in the next few days.

\$185 a tonne, eased to \$150 and ended at \$170. Premiums of this size should attract spare metal to the exchange but the small stock rise convinced many analysts that there was little physical copper available.

Gold in London crashed through the \$370 a troy ounce level yesterday and closed at \$367.50, down \$3.50 from Monday's close. It was the first time that the seemingly solid price support at \$370 had given way since November 1993.

Inco upbeat on trend for nickel

By Bernard Simon in Toronto

Inco, the world's biggest nickel producer, has painted an encouraging picture of market trends, in spite of slowness in the stainless steel industry and the possibility of a sharp increase in nickel output towards the end of the decade.

The Toronto-based company also disclosed in its annual presentation to analysts that the estimated cost of developing the big Volysey's Bay nickel, copper and cobalt deposit in Labrador has climbed from \$1.1bn to US\$1.4bn.

Volysey's Bay, acquired earlier this year, is expected to produce 270m lb of nickel by 2001. The deposit will lift Inco's annual output to an estimated 750m lb, from 415m lb this year, and 430m lb in 1997. It will also double copper output to 500m lb.

Inco, which accounts for about 30 per cent of global nickel output, predicted that Volysey's Bay would lower average cash production costs from \$1.45 in the first nine months of 1996 to

89 cents a pound in 2001. Mr Peter Salathiel, executive vice-president for marketing, said this balance between nickel supply and demand would be "very good" in 1997 and 1998.

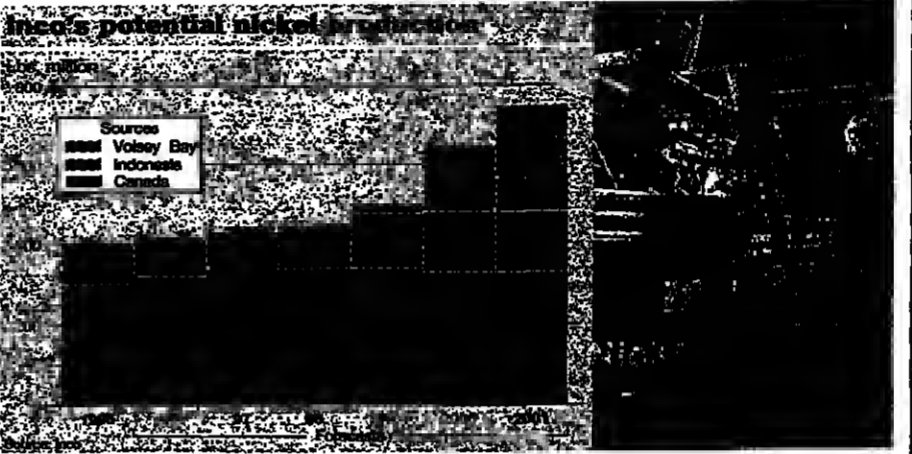
He forecast that nickel demand would rise from 960,000 tonnes in 1996 to 1,025,000 tonnes next year, reflecting accelerating expansion in the industrialised economies. He said an improvement was recently evident in Europe.

Mr Salathiel said the stainless steel industry, which makes up about two-thirds of nickel demand, was "going through a bit of a crisis", with weak demand exacerbated by a steady rise in capacity. However, he estimated that stainless steel output would grow from 14.8m tonnes in 1996 to 15.7m tonnes next year.

Nickel supplies are expected to rise from 960,000 tonnes to about 1m tonnes. Few new projects are likely to come on-stream before 1998 and, according to Mr

Salathiel, many projects now on the drawing board may not reach production. "While there is a lot of nickel in the world, there is a shortage of good deposits," he said. Mr Salathiel also dismissed rumours of large, unreported stocks in Rotterdam warehouses.

Capital spending is expected to climb to about \$740m next year from \$432m in 1996 and \$326m last year. In addition, as part of the Volysey's Bay deal, Inco has pledged to buy back about 50m shares.



COMMODITIES PRICES

BASE METALS

Table showing LONDON METAL EXCHANGE prices for various metals including Aluminium, Copper, Lead, Nickel, and Tin, with columns for price change, high, low, and open prices.

Precious Metals continued

Table showing GOLD COMEX and PLATINUM NYMEX prices, including price changes and current market levels.

GRAINS AND OIL SEEDS

Table showing WHEAT LIFE and MAIZE CBT prices, detailing price movements for different grades and origins.

SOFTS

Table showing COCOA LIFE and COCOA (COC) prices, including price changes and market status.

MEAT AND LIVESTOCK

Table showing LIVE CATTLE CME and LIVE HOGS CME prices, with columns for price change and current rates.

PRECIOUS METALS

Table showing LONDON BULLION MARKET prices for Gold, Silver, and Platinum, including spot and futures prices.

ENERGY

Table showing CRUDE OIL NYMEX and HEATING OIL NYMEX prices, including price changes and current market levels.

FUTURES DATA

Table showing various futures contracts including Soyabean Oil, Soybean Meal, and Sugar, with columns for price change and current prices.

VOLUME DATA

Table showing Open Interest and Volume data for various futures contracts, including Soyabean Oil, Soybean Meal, and Sugar.

INDICES

Table showing various market indices including the S&P 500, Nikkei, and FTSE 100, with columns for price change and current values.

Coffee stocks 'critically low'

By Deborah Hargreaves

The world faces a deficit in the supply of coffee next year of 1.2m bags, or 72,000 tonnes, according to GNI, the London broker.

Mr Lawrence Eagles, commodities analyst at GNI in Brazil, says he believes tight coffee supplies will push prices up towards the end of the year as consumer stocks are "critically low".

He says prices on New York's Coffee, Sugar and Cocoa Exchange could go as high as \$1.50 a pound in coming months, possibly with a spike to \$1.60. Coffee prices were a little weaker yesterday, with New York March futures contract trading at \$1.06 a pound in light volume.

JOTTER PAD

SPREADNET. The game of Skill, Judgment and Nerve. Telephone 07000 782080. 275 episodes.

CROSSWORD

Crossword puzzle grid with clues. Clues include: 1 Landed in wharf with crowd of broadheads (7,5); 2 Runaway slave kept company in recesses (7); 3 The flower of Torino - cowboy? (7); 4 One bargain that can't be improved on (5); 5 Unravoured foreign river in Northern Ireland (not Southern) (8); 6 Ureanish hush or gale of mirth (5,5); 7 Open, gleaming, lecherous eye starts to do so (4); 8 Bloom was promoted (4); 9 Dole could make princess buster, perhaps (10); 10 Lander called in to make 28 (8); 11 Plant's second advantage (6); 12 City with zest? That's right (7); 13 Dreamy one - one to gain heart of African (7); 14 Faithful little Tory force in massive charge (12) DOWN; 1 Vague relation to a recipe (7); 2 Gallatian at length in the bar (8); 3 Throw (having d-runk) up (4); 4 Extravagant academic former serviceman turned in (10).

Solution 9,241. A grid of numbers corresponding to the crossword puzzle solution.

Handwritten signature or stamp: JAVICO LTD

FT MANAGED FUNDS SERVICE

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing various offshore funds under the Bermuda (SIB RECOGNISED) category, including fund names, managers, and performance metrics.

BERMUDA (REGULATED)

Table listing various offshore funds under the Bermuda (REGULATED) category.

GUERNSEY (SIB RECOGNISED)

Table listing various offshore funds under the Guernsey (SIB RECOGNISED) category.

GUERNSEY (REGULATED)

Table listing various offshore funds under the Guernsey (REGULATED) category.

IRELAND (SIB RECOGNISED)

Table listing various offshore funds under the Ireland (SIB RECOGNISED) category.

IRELAND (REGULATED)

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GUERNSEY (REGULATED)

Table listing various offshore funds under the Guernsey (REGULATED) category.

ISLE OF MAN (SIB RECOGNISED)

Table listing various offshore funds under the Isle of Man (SIB RECOGNISED) category.

ISLE OF MAN (REGULATED)

Table listing various offshore funds under the Isle of Man (REGULATED) category.

ISLE OF MAN (SIB RECOGNISED)

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JERSEY (REGULATED)

Table listing various offshore funds under the Jersey (REGULATED) category.

JERSEY (SIB RECOGNISED)

Table listing various offshore funds under the Jersey (SIB RECOGNISED) category.

Advertisement for Macmillan Appeal, featuring a paperclip graphic and text: 'SEND YOUR OWN PAPERCLIP And while you are at it, please attach your cheque to fund more Macmillan Nurses in the fight against cancer. (Did you know over one million people are living with it) Cheque amount £..... made out to 'CRMF (FI)' Send to: CRMF FREEPOST LONDON SW3 3BR THE Macmillan APPEAL Cancer Relief Macmillan Fund exists to support people with cancer and their families. Regd. Charity No. 261017'

Main table of fund data on the left side of the page, listing various fund names, managers, and performance metrics across multiple categories.

Main table of fund data in the middle section of the page, continuing the list of fund names, managers, and performance metrics.

Main table of fund data on the right side of the page, listing various fund names, managers, and performance metrics.

Offshore Funds and Insurances

FT Cityline Unit Trust prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

FT MANAGED FUNDS SERVICE

LUXEMBOURG (SIB RECOGNISED)

Table listing various offshore funds and insurances, including categories like LUXEMBOURG (SIB RECOGNISED), FT Cityline Unit Trusts, and various fund names with their respective prices and details.

Handwritten signature or stamp at the bottom of the page.

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 873 4976 for more details.

Main table containing FT Managed Funds Service data, including columns for fund names, prices, and performance metrics. Includes sub-sections for 'OTHER OFFSHORE FUNDS' and 'MANAGED FUNDS NOTES'.

JAVICO LTD

Mikimoto advertisement featuring a diamond necklace and text: 'A SPLENDID ARRAY OF EXCEPTIONAL COLOURED DIAMOND FABRICS AND ACCENTURES SET IN 18K GOLD. MIKIMOTO 179 New Bond Street London W1Y 9PD Tel 0171 629 5300'

OTHER OFFSHORE FUNDS

Table listing various offshore funds with their respective prices and performance data.

MANAGED FUNDS NOTES: This section provides detailed information regarding fund management, including details on fund types, risks, and contact information for investors.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table with 2 columns: Company Name, Price/Share. Includes entries like Heineken, Carlsberg, etc.

CHEMICALS - Cont.

Table with 2 columns: Company Name, Price/Share. Includes entries like ICI, British Chemicals, etc.

ENGINEERING

Table with 2 columns: Company Name, Price/Share. Includes entries like BHP, GKN, etc.

EXTRACTIVE INDUSTRIES - Cont.

Table with 2 columns: Company Name, Price/Share. Includes entries like Anglo American, De Beers, etc.

HOUSEHOLD GOODS - Cont.

Table with 2 columns: Company Name, Price/Share. Includes entries like B&Q, Debenhams, etc.

INVESTMENT TRUSTS - Cont.

Table with 2 columns: Trust Name, Price/Share. Includes entries like FTSE 100, FTSE 250, etc.

BANKS, MERCHANT

Table with 2 columns: Company Name, Price/Share. Includes entries like HSBC, NatWest, etc.

DISTRIBUTORS

Table with 2 columns: Company Name, Price/Share. Includes entries like ASDA, Asda Stores, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like British Steel, GKN, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like Anglo American, De Beers, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like B&Q, Debenhams, etc.

Table with 2 columns: Trust Name, Price/Share. Includes entries like FTSE 100, FTSE 250, etc.

BANKS, RETAIL

Table with 2 columns: Company Name, Price/Share. Includes entries like HSBC, NatWest, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like ASDA, Asda Stores, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like British Steel, GKN, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like Anglo American, De Beers, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like B&Q, Debenhams, etc.

Table with 2 columns: Trust Name, Price/Share. Includes entries like FTSE 100, FTSE 250, etc.

BREWERIES, PUBS & REST

Table with 2 columns: Company Name, Price/Share. Includes entries like Heineken, Carlsberg, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like ASDA, Asda Stores, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like British Steel, GKN, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like Anglo American, De Beers, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like B&Q, Debenhams, etc.

Table with 2 columns: Trust Name, Price/Share. Includes entries like FTSE 100, FTSE 250, etc.

BUILDING & CONSTRUCTION

Table with 2 columns: Company Name, Price/Share. Includes entries like Balfour Beatty, Bovis Lend Lease, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like ASDA, Asda Stores, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like British Steel, GKN, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like Anglo American, De Beers, etc.

Table with 2 columns: Company Name, Price/Share. Includes entries like B&Q, Debenhams, etc.

Table with 2 columns: Trust Name, Price/Share. Includes entries like FTSE 100, FTSE 250, etc.

Advertisement for Cross pens: BUY, BUY, BUY. (NOW, NOW, NOW). It's never too late to buy a personalised Cross Pen. Call or fax our business gift specialist. Phone 01582 422793. Fax 01582 22941. CROSS SINCE 1846.

BUILDING MATS. & MERCHANTS

Table with 2 columns: Company Name, Price/Share. Includes entries like Balfour Beatty, Bovis Lend Lease, etc.

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CHEMICALS

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Table with 2 columns: Company Name, Price/Share. Includes entries like B&Q, Debenhams, etc.

Table with 2 columns: Trust Name, Price/Share. Includes entries like FTSE 100, FTSE 250, etc.

ENGINEERING - Cont.

Table with 2 columns: Company Name, Price/Share. Includes entries like BHP, GKN, etc.

FOOD PRODUCERS - Cont.

Table with 2 columns: Company Name, Price/Share. Includes entries like Anglo American, De Beers, etc.

ELECTRICITY

Table with 2 columns: Company Name, Price/Share. Includes entries like British Nuclear Fuels, etc.

ELECTRONIC & ELECTRICAL EQPT

Table with 2 columns: Company Name, Price/Share. Includes entries like ASDA, Asda Stores, etc.

ENGINEERING, VEHICLES

Table with 2 columns: Company Name, Price/Share. Includes entries like British Steel, GKN, etc.

HEALTH CARE

Table with 2 columns: Company Name, Price/Share. Includes entries like Anglo American, De Beers, etc.

EXTRACTIVE INDUSTRIES

Table with 2 columns: Company Name, Price/Share. Includes entries like Anglo American, De Beers, etc.

HOUSEHOLD GOODS

Table with 2 columns: Company Name, Price/Share. Includes entries like B&Q, Debenhams, etc.

INV TRUSTS SPLIT CAPITAL

Table with 2 columns: Trust Name, Price/Share. Includes entries like FTSE 100, FTSE 250, etc.

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for Name, Price, and % Change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and % Change.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, and % Change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

LIFE ASSURANCE

Table listing life assurance companies with columns for Name, Price, and % Change.

LIFE ASSURANCE - Cont.

Table listing life assurance companies with columns for Name, Price, and % Change.

MEDIA

Table listing media companies with columns for Name, Price, and % Change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for Name, Price, and % Change.

OIL, INTEGRATED

Table listing integrated oil companies with columns for Name, Price, and % Change.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, and % Change.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for Name, Price, and % Change.

PAPER, PACKAGING & PRINTING - Cont.

Table listing paper, packaging, and printing companies with columns for Name, Price, and % Change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for Name, Price, and % Change.

PROPERTY

Table listing property companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies with columns for Name, Price, and % Change.

RETAILERS, FOOD

Table listing food retailers with columns for Name, Price, and % Change.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, and % Change.

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, and % Change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for Name, Price, and % Change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for Name, Price, and % Change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for Name, Price, and % Change.

TEXTILES & APPAREL - Cont.

Table listing textiles and apparel companies with columns for Name, Price, and % Change.

TOBACCO

Table listing tobacco companies with columns for Name, Price, and % Change.

TRANSPORT

Table listing transport companies with columns for Name, Price, and % Change.

WATER

Table listing water companies with columns for Name, Price, and % Change.

WATER

Table listing water companies with columns for Name, Price, and % Change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, and % Change.

AM - Cont.

Table listing American companies with columns for Name, Price, and % Change.

AMERICANS

Table listing American companies with columns for Name, Price, and % Change.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and % Change.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and % Change.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by ERM, part of Financial Times Information. Company specifications are based on those used for the FTSE 100 Index.

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company associated with the FT.

FT Company Focus / Focus Plus

Comprehensive 10-15 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations.

Advertisement for a watch featuring a quote from Albert Einstein: 'DON'T ADD YOUR NAME TO THE LIST OF PEOPLE WHO HAVE PLAYED S. ROOPE.' Includes an image of a watch and contact information for MAPIN & WEBB.

LONDON STOCK EXCHANGE

Footsie has all-time high within its grasp

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

A sharp pick-up in turnover and a welcome bout of profit-taking to a recently rampant sterling proved to be just what London's equity market needed yesterday.

Stocks, Footsie, which has been under various degrees of pressure since the middle of last week when sterling began to make rapid strides against the dollar and the D-mark, closed 23.0 higher at 4,061.5.

There was a slight feeling of unease in London towards the close, however, as gifts finished the day down a few ticks in the medium to long maturities.

Senior marketmakers were generally bullish on the short to medium term outlook for London stocks. One said he expected Footsie to run on towards 4,200 and then take a breather, but he

emphasised the lack of selling pressure recently, despite the currency factor. He also pointed to the possibility of further bid activity although he noted that corporate financiers were constantly bemoaning the lack of real value for potential predators.

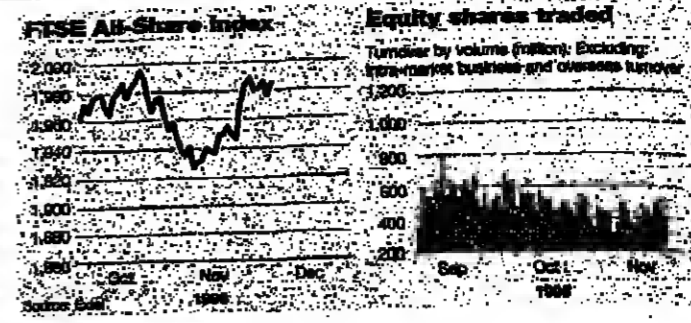


Table with columns: Indices and ratios, FTSE 100, FTSE 250, FTSE 350, FTSE All-Share, FTSE All-Share yield, FT 30, FTSE Non-Fins p/a, FTSE 100 FT Dec, 10 yr Gilt yield, Long gilts/yield ratio.

Lucas under pressure

By Peter John and Joel Kibzox

Anglo-US automotive components group LucasVarity managed an astonishing transformation as it initially recorded the sharpest gains in the Footsie but then tumbled to end the day as the index's worst performer.

"I am afraid it's the old Lucas story about more jam tomorrow." Several brokers indicated plans to downgrade profit expectations for the year to January 1998 by around £35m to the £386m mark.

And while the coming together of these two financial giants may seem ambitious and could well prompt culture clashes, Mr Peter Davis, the Pru's chief executive, has relevant experience.

Disposed of its last significant holdings in the big utility companies. The government raised almost £260m with the sale, which was conducted as an auction handled by N M Rothschild and included 11 per cent of British Energy - or 61m shares - at 146p a share.

food manufacturing sector. It followed confirmation that the UK group's 78 per cent owned George Weston Foods unit in Australia is to pay a special dividend. Shares in Associated rose 6 1/2 to 453p in trade of 2m.

FUTURES AND OPTIONS

Table with columns: FTSE 100 INDEX FUTURES (LFFE) £25 per full index point (AFT), FTSE 250 INDEX FUTURES (LFFE) £10 per full index point, FTSE 100 INDEX OPTION (LFFE) £100 per full index point, FTSE 250 INDEX OPTION (LFFE) £100 per full index point.

TRADING VOLUME

Table with columns: Major Stocks Yesterday, Volume, Change, Divs, P/E, etc.

FT 30 INDEX

Table with columns: FT 30, Dec 3, Dec 2, Nov 29, Nov 28, Nov 27, Nov 26, High, Low, etc.

SEAG bargains

Table with columns: SEAG bargains, Equity turnover, Equity bargains, Shares traded, etc.

London market data

Table with columns: FTSE All-Share, FTSE 100, FTSE 250, FTSE 350, etc.

FT GOLD MINES INDEX

Table with columns: Gold Mines Index, Dec 3, Dec 2, Nov 29, Nov 28, Nov 27, Nov 26, High, Low, etc.

RISK magazine advertisement: The world's leading financial risk management magazine covers all the crucial issues surrounding the derivatives industry every month.

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FTSE Actuaries Share Indices: Table with columns: Dec 3, Dec 2, Nov 29, Nov 28, Nov 27, Nov 26, High, Low, etc.

1997-Global Business Outlook on Tuesday, January 7. To be published in the FT on Tuesday 7th January 1997 this report will provide analysts, the professional investment community, and captains of industry around the world with the FT's view of the developments and key dates which will be important for the main industrial sectors in 1997.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 3 / Fri)

Table of stock prices for Austria, including companies like Alpine, Austria, and others.

BELOW/LUXEMBOURG (Dec 3 / Fri)

Table of stock prices for Belgium/Luxembourg, including companies like ABN, ABN-Amro, and others.

CZECH REP (Dec 3 / Fri)

Table of stock prices for Czech Republic, including companies like ASPI, ASPI, and others.

GERMANY (Dec 3 / Thu)

Table of stock prices for Germany, including companies like AEG, AEG, and others.

FRANCE (Dec 3 / Fri)

Table of stock prices for France, including companies like AEG, AEG, and others.

GREECE (Dec 3 / Dec 3)

Table of stock prices for Greece, including companies like AEG, AEG, and others.

IRELAND (Dec 3 / Fri)

Table of stock prices for Ireland, including companies like AEG, AEG, and others.

ITALY (Dec 3 / Thu)

Table of stock prices for Italy, including companies like AEG, AEG, and others.

NETHERLANDS (Dec 3 / Fri)

Table of stock prices for Netherlands, including companies like AEG, AEG, and others.

PORTUGAL (Dec 3 / Dec 3)

Table of stock prices for Portugal, including companies like AEG, AEG, and others.

SPAIN (Dec 3 / Fri)

Table of stock prices for Spain, including companies like AEG, AEG, and others.

FINLAND (Dec 3 / Fri)

Table of stock prices for Finland, including companies like AEG, AEG, and others.

SWEDEN (Dec 3 / Fri)

Table of stock prices for Sweden, including companies like AEG, AEG, and others.

SWITZERLAND (Dec 3 / Fri)

Table of stock prices for Switzerland, including companies like AEG, AEG, and others.

TURKEY (Dec 3 / Thu)

Table of stock prices for Turkey, including companies like AEG, AEG, and others.

INDICES

Table of stock market indices for various regions, including DAX, Nikkei, and others.

US INDICES

Table of US stock market indices, including Dow Jones, S&P 500, and others.

ASIA

Table of stock prices for Asian markets, including Japan, Korea, and others.

AUSTRALIA (Dec 3 / Fri)

Table of stock prices for Australia, including companies like AEG, AEG, and others.

NEW ZEALAND (Dec 3 / Fri)

Table of stock prices for New Zealand, including companies like AEG, AEG, and others.

SINGAPORE (Dec 3 / Fri)

Table of stock prices for Singapore, including companies like AEG, AEG, and others.

SOUTH AFRICA (Dec 3 / Fri)

Table of stock prices for South Africa, including companies like AEG, AEG, and others.

TAIWAN (Dec 3 / Fri)

Table of stock prices for Taiwan, including companies like AEG, AEG, and others.

INDONESIA (Dec 3 / Fri)

Table of stock prices for Indonesia, including companies like AEG, AEG, and others.

MALAYSIA (Dec 3 / Fri)

Table of stock prices for Malaysia, including companies like AEG, AEG, and others.

PHILIPPINES (Dec 3 / Fri)

Table of stock prices for Philippines, including companies like AEG, AEG, and others.

THAILAND (Dec 3 / Fri)

Table of stock prices for Thailand, including companies like AEG, AEG, and others.

Vietnam (Dec 3 / Fri)

Table of stock prices for Vietnam, including companies like AEG, AEG, and others.

AFRICA

Table of stock prices for African markets, including South Africa and others.

Advertisement for Rockwell components for heavy and medium duty trucks and trailers.

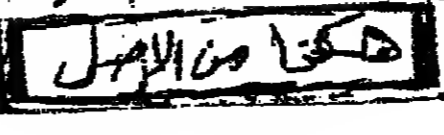
Additional market data, including futures, options, and company news.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Advertisement for Hewlett-Packard with the slogan 'Reach for it' and the HP logo.





4 pm close December 3

NYSE PRICES

Table of NYSE stock prices with columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'V', 'W', 'T', 'U', 'X-Y-Z', and 'FT Free Annual Reports Service'.

NASDAQ NATIONAL MARKET

4 pm close December 3

Table of NASDAQ National Market stock prices with columns for stock name, price, change, and volume. Includes sub-sections for 'L', 'R', 'S', 'M', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

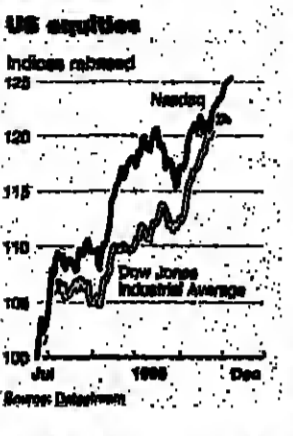
AMEX PRICES

Table of AMEX stock prices with columns for stock name, price, change, and volume.

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Dow falls on profit-taking as techs rise

Soaring technology shares led the broader markets higher in morning trading but profit-taking sent the major indices into negative territory by early afternoon...



Shares drew some support from gains on the bond market but that sent the yield on the benchmark 30-year Treasury down to 6.322 per cent at midday...

Stronger at \$128 and Oracle gained 1 1/4 at \$50 1/4 but some of the biggest rises came among smaller Nasdaq issues...

Silicon Graphics jumped 3 1/2 to \$224 after Goldman Sachs raised its rating on the company...

Shares drew some support from gains on the bond market but that sent the yield on the benchmark 30-year Treasury down to 6.322 per cent at midday...

EUROPE

Accelerated gains in the dollar and rising bonds both lifted equity markets, and all-time highs became almost a matter of course...

US, rose just DM1.70 to DM564.70 after a four-day fall of DM47...

TORONTO had a mixed morning session in dull volume, gleaming little comfort from the solid start on Wall Street...

FTSE Actuaries share indices

Table with columns for Dec 3, Dec 2, Nov 29, Nov 28, Nov 27, Nov 26. Rows include FTSE 100, FTSE 250, FTSE 1000, and FTSE 1000 High/Low.

Other automotive stocks did well, with Continental and Daimler up 3.4 and 3.5 per cent respectively...

Some pharmaceuticals also extended their recent mid-uplift, Sankey rising 2.0 to Y3,120 and Daiippon Pharmaceuticals Y10 to Y1,160...

ASIA PACIFIC

Unsettled by recent curbs on short-selling, BOMBAY fell steeply for the second day in succession...

Some pharmaceuticals also extended their recent mid-uplift, Sankey rising 2.0 to Y3,120 and Daiippon Pharmaceuticals Y10 to Y1,160...

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INDIA

Mainland Chinese equities extended the speculative pattern established in the second half of last month...

HONG KONG, too, put some money into mainland stocks. The H share index of China-incorporated companies rose 2.8 per cent...

Domestically, investors were more defensive, with the Hang Seng index losing 61.30 to 15,456.28...

FINANCIALS

Financials, buoyed by bonds and hopes for lower Dutch interest rates should Germany move lower, stayed in demand...

Job agencies had a bad day. A press report pointing to employment reforms hit Randstad and Content Beheer...

STOCKHOLM leant upon a 4.1 per cent gain in forestry stocks as the Allshare index rose 5.70 to 4144...

FINANCIALS

Expectations of Spain's entry into EMU, and an influx of funds from the debt market were underpinning the broad market rise...

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Mexico shrugs off fears

MEXICO CITY deftly sidestepped worries about political fallout on Monday's news of a cabinet shake-up...

S African industrials end flat

Late futures-driven buying allowed industrial shares in Johannesburg to close little changed and golds had another poor day...

Short selling curbs help Bombay to 3-year low

Unsettled by recent curbs on short-selling, BOMBAY fell steeply for the second day in succession...

ASIA PACIFIC

Unsettled by recent curbs on short-selling, BOMBAY fell steeply for the second day in succession...

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FTSE ACTUARIES WORLD INDICES table with columns for National Markets, Regional Markets, and World Indices. Includes data for Australia, Canada, Europe, Japan, etc.

Advertisement for sappi limited. Includes a line graph showing share price performance, a table of financial results (Turnover, Operating Income, Net Income, etc.), and text describing the company's operations and financial outlook.

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Handwritten signature: JALICO LTD

Friday December 4 1996
il stocks

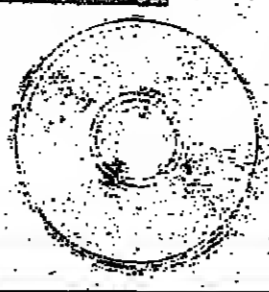
FINANCIAL TIMES REVIEW



Interview
View from the top:
Gordon Eubanks
of Symantec
Page 2



This month's focus
Small offices:
New equipment
and services
Pages 3-5



Directions
New media:
Benefits of digital
video discs
Pages 6-7

IT in Asia
Singapore:
The Intelligent
Island
Pages 10-12

Information Technology

Wednesday December 4 1996

Like a tidal wave washing over the world, the Internet and inter-networking has transformed the outlook for the information technology industry, and the packaged software vendors who have come to dominate it over the past decade.

Eighteen months ago, Microsoft, the world's largest software company, looked like it had missed the Internet wave as upstarts such as Netscape Communications, NetManage and Yahoo! grabbed the limelight - and investors' dollars - in a series of spectacular technology floats.

But since then, Bill Gates, Microsoft's chairman and chief executive, has proved once again that he is the consummate competitor, transforming his company's prospects through an Internet strategy that he called 'embrace and extend' which has put Internet technology at the core of all Microsoft's products.

As Gates noted during his Comdex keynote speech in Las Vegas a few weeks ago: "The Internet is like a gold rush - it is really unbelievable. Now, fortunately, this is a gold rush where there really is gold."

Deep impact

"It may be buried a little deeper than some people think, but the drops in the price of communications, and the fact that PCs everywhere will eventually have very high speed data rates allowing them to work together, really will have a fundamental impact," said Gates. "In fact, it will mean that our industry will be changing the way people do business, the way they learn and even the way they entertain themselves, far more than I think people outside our industry expect."

In its attempts to outflank competitors, Microsoft is drawing upon its vast resources to help leapfrog its competitors. For example, in a recent filing with the US Securities and Exchange Commission the Redmont, Washington-based group disclosed that "Microsoft is betting that over the next decade, Internet use will grow dramatically. Next year, (fiscal 1997), research and development spending, broadly defined, will grow to more than \$2bn, at a growth rate faster than sales."

As the Yankee Group research firm noted recently, Microsoft's revenues are likely to grow by about 18 per cent to around \$10.2bn next year. "It looks like Netscape, with projected revenues of \$460m in fiscal 1997, had better spend its R&D money wisely."

Indeed, the latest version of Microsoft's Internet browser software, Internet Explorer 3.0, is reckoned to be on a par with Netscape's own offering and, helped by an aggressive marketing programme, has been widely adopted by Internet service providers including commercial online services and four of the largest service providers in the UK.



Suppliers surf the Internet wave

Software companies are in a desperate race to win greater shares in the enterprise-wide computing market, reports Paul Taylor

Perhaps even more importantly, a revitalised Microsoft has repositioned its desktop operating systems, office applications software and back-office suite to take advantage of the shift to Internet technologies and the transformation of corporate local and wide-area networks into so-called 'intranets'. The prize at stake is to become the key supplier of a new generation of 'enterprise software' to corporate customers around the globe.

"We believe a compelling battle is shaping up in the enterprise space as Microsoft must prepare to slug it out with Oracle, IBM and Hewlett-Packard in order to achieve what we believe is the ultimate objective, dominance in the lucrative enterprise computer space," says Marshall Senk, an analyst with US-stockbrokers Robertson, Stephens & Company in a recent note.

Indeed, Microsoft's resurgence, reflected in both the buoyant tone of Mr Gates recent speeches as well as the company's share price, and has come despite the challenge of companies such as

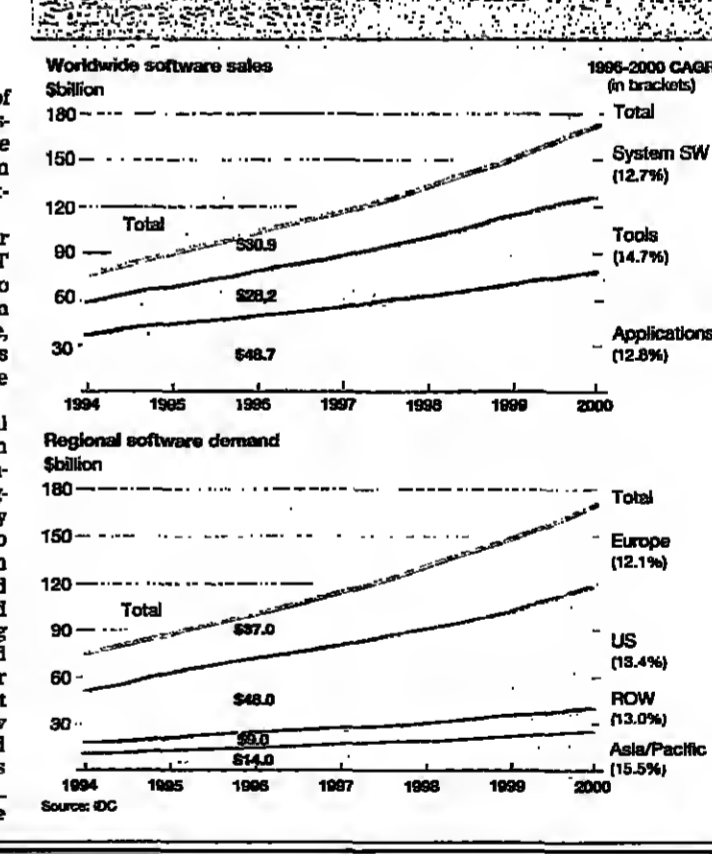
Oracle, the second largest software company, and Sun Microsystems, the leading Internet server vendor.

Both Oracle's Larry Ellison and Scott McNealy of Sun have been enlisting about the purported cost and other advantages of platform-independent Network Computers and the Java programming language. For all three companies, the next six months could be decisive in their battle for the corporate desktop.

At a crossroads

For one thing Java, which was developed by Sun, is at a crossroads and most analysts believe its longer-term success or failure will be determined in the next six months. As the commentators on the Ziff Davis web site note: "If you want to know its fate in advance, watch the top 10 software companies. Almost all of them are choosing right now between Java and Microsoft's ActiveX."

"Once they decide, the rest of the industry will follow. At stake



Leader or Loser?

How will your business match up to the year 2000 date change challenge?

"The sheer nature of the problem means it is not just another technical issue. Its size makes it a management issue... and because it is a management issue, it requires top level management time on it."

Adair Turner, Director General, CBI

"All SB business units will establish plans to ensure their internal systems will be Year 2000 compliant by 31 December 1998. This is mandatory and should take precedence over all other systems work"

Jan Leschly, Chief Executive, SmithKline Beecham

"By leveraging a public increasingly informed about the potential for chaos and risk when the year 2000 rings in, compliant businesses will... challenge competitors to match them. Compliant companies will be the new leaders in their respective industries."

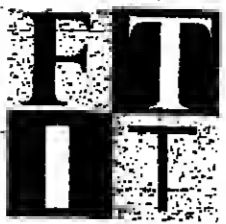
Gartner Group

"The changes should be seen primarily as a managerial challenge not something simply requiring a technical solution. Those companies that put in place the top leadership and commitment to a formal programme today will be the ones that come through unscathed in 2000."

Chris Earnshaw, Managing Director, BT Networks and Systems

Leading organisations (and increasingly, their customers) understand that the date change challenge is massive - and above all, that it is a business not an IT matter. Time is short and the last chance to decide is imminent: will your organisation be a leader or a loser? Failure to act now could be the ultimate failure of your business. For information and support regarding senior management awareness contact Robin Guenier, Executive Director of Taskforce 2000 - call 0171 562 7650. Taskforce 2000 is a not-for-profit company dedicated to ensuring UK companies and their business systems will be ready and able to deal with the Year 2000 date change. It is a joint initiative of the Department of Trade and Industry (DTI), Confederation of British Industry (CBI) and the Computing Services and Software Association (CSSA)





Systems for small offices

Here and on the following three pages, FT writers look at innovations in equipment and services for the small office/home office (SoHo) sector



Multi-function five-in-one plain paper fax machine from Muratec: the MS700, with modern, digital answering machine, printer, scanner and copier

IT equipment and services • Geoffrey Naim
Focus sharpens on the needs of small companies

There are more than 50m small businesses in Europe, the US and Japan – representing a key but highly complex market for suppliers of information systems

Powerful desktop PCs have become essential tools for many small businesses and entrepreneurs, and the PC industry has woken up to the potential of the small office/home office (SoHo) market and learnt how to design machines that appeal to the distinct needs of these users.

With more than 50m small businesses in the US, Japan and Europe, the SoHo market is one of the most dynamic sectors of the PC industry. But reaching these users is not as simple as selling PCs in consumer or corporate markets – “by focusing purely on” boms or corporates PCs you miss a fair chunk of the market,” says Jean-Luc Meyer, marketing manager for small business computing at Hewlett-Packard Europe.

The PC industry invented the term SoHo in the early 1990s when sluggish sales to traditional corporate custom-

ers forced vendors to seek out new markets. The growing army of small businesses and self-employed seemed to fit the bill perfectly, particularly as their IT usage is traditionally low.

The PC industry has long known what features matter to corporate buyers. More recently, it has learnt to build PCs that appeal to consumers – and vendors such as IBM, Acer, Compaq and Olivetti have launched home PCs that combine cutting-edge multimedia technology with ease of use and stylish design.

But the needs of SoHo users have often been neglected – “for a very long time there has not been a product targeted at the SoHo market,” says Emmanuel Laloz, manager with market research firm, Context Research.

“There were low-end PCs with basic specifications, which are unsuitable

because of their lack of communications, or high-end PCs designed for corporate users.”

Vendors first tried to tap the SoHo market using basic models from their corporate range, sold at knock-down prices through dealers and shops, with added office software – and perhaps a printer – to create a SoHo “bundle”.

This strategy had limited success, however, and vendors now realise the SoHo market is more complex than they originally thought.

“It is a mistake to talk about the SoHo market as it is not a single segment, but an agglomeration of users with different needs,” says Emmanuel Laloz.

The US market research company Computer Intelligence has studied how the technology needs of the self-employed differ from those of small businesses and consumers. According to CI, the self-employed repre-



Live video: smaller businesses and home offices are discovering that videoconferencing is not just the preserve of multinationals. Personal computer users can extend their international reach with videoconferencing on PCs with this plug-in kit from PictureTel. The ‘Live100’ system gives full-colour, full-motion video and high quality sound, in a screen-sharing collaborative computing environment. Video calls are set up within a Microsoft Windows environment; more details on +44 (0) 1753 673000. See also reports on teleworking and the growth of ISDN systems, Page 5

sent a distinct segment with some similarities to the other two but also important differences.

For example, the self-employed use their PCs fewer hours a week than small businesses, but are heavier users of online services and the Internet. They spend more money on a PC than consumers but the chosen model may have to double up as a machine for the whole family, running entertainment and educational packages.

Vendors are now building PCs to tightly target distinct groups of SoHo users. Hewlett-Packard, for example, identifies four “clusters” of users:

- Productivity workers.
- Communicators.
- Collaborators and persuaders, such as graphic designers. Each potential customer fits one of these descriptions, according to HP, and this enables the company’s dealers to quickly decide which HP models suit the customer’s needs.

The HP Vectra 500 range of PCs, launched earlier this

year, was designed specifically for small businesses and in Europe it comprises nine models. Once the dealer has identified which cluster best describes the potential buyer, the choice can be whittled down to just three or four models.

“We have deliberately limited choice to make [the categories] easier to use,” says HP’s Jean-Luc Meyer. “One of the problems with small businesses is that they get confused by vendors. We want to simplify their lives.”

All models come with pre-installed Microsoft Word software and, in most countries, Microsoft Publisher and Office for Windows 95.

On the communications-oriented models, HP includes a 28.8Kbps modem, Internet access software and other communications programs, such as America Online Europe access, Intel ProShare data-conferencing software and, in France, Minitel access.

The HP Vectra 500 models also have a built-in communications centre to handle voice, e-mail and fax mes-

sages. Many small businesses rely on employees juggling IT duties with their real jobs, so HP has tried to ensure its Vectra 500 systems require the minimum of support.

User support

The company found that 40 per cent of support calls are about printing problems, so it has pre-installed on each PC drivers for HP printers to ease the task of setting up a printer. An on-line troubleshooting guide helps users identify and solve problems and, if necessary, explain them to HP staff over the phone. For more serious faults, HP engineers can run remote diagnostics software on the PC via a modem link.

The three-year hardware warranty includes next-day on-site support during the first year, while HP offers optional telephone support for more than 100 business software packages.

Other vendors are following HP’s example and closely targeting the SoHo market.

Compaq is Europe’s leading PC supplier, but in the SoHo segment it has lagged. The company is trying to make up the lost ground by including SoHo models in its Presario range of consumer PCs. These have features such as integrated fax and answering machines, talk-and-send modems to allow small businesses to juggle two phone lines, and a scanner keyboard to scan documents or business cards into the PC, where the images can be edited or faxed using built-in software.

“SoHo users are not computer experts,” says Toon Bouten, European vice president for consumer business at Compaq. “So you generally have to make things easy”. The Presario range feature “Easy Access” buttons on the front panel that give users immediate access to frequently used functions, such as retrieving a message on the answering machine.

Compaq is also adopting Universal Serial Bus technology, which promises to ease the task of installing PC peripherals.

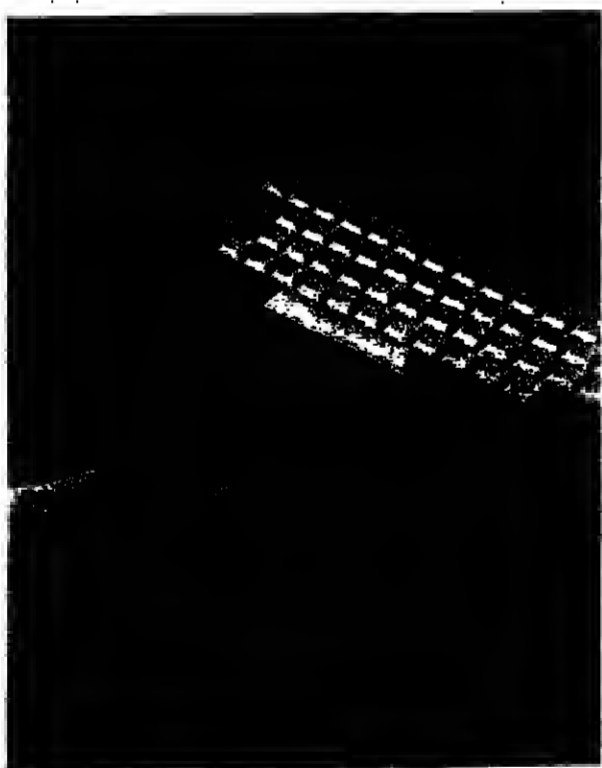


Computer equipment for the smaller business: the HP Vectra 500 Series PC, pictured with the HP Network Kit, the LaserJet 3P, the HP ScanJet 4P, plus the Colorado T1000e and HP DeskJet855C



Jean-Luc Meyer: today’s market is far wider than just PCs

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IT in small offices

Working from home: international comparisons in teleworking/telecommuting - By Geoffrey Naim

Televillage is a European showcase

By the year 2000, there may be 55m teleworkers worldwide, although resistance to the concept remains high in some areas of Europe and Asia

Nesting in the Ligurian hills above the Italian Riviera is Colletta di Castelbianco, a long-abandoned mediaeval village whose peace will soon be disturbed by the gentle hum of Web servers and the clatter of keyboards.

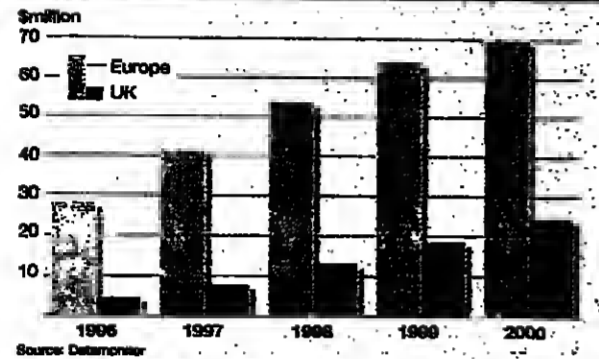
and we are still lagging behind the US," says Madrid-based Barrera.

Nearly half of Europe's teleworkers are in the UK, according to Empirica, and teleworkers make up 7.4 per cent of the UK's white-collar workforce.

video servers. Computer company Acer is supplying the server hardware.

Colletta has its own Web site (http://www.colletta.it) and deep-pocketed teleworkers who fancy this beautiful hut isolated part of northwestern Italy can peruse the architect's plans online and choose their future home.

ISDN desktop systems in SoHo market



Using the Internet as a means of delivery could make videoconferencing as ubiquitous as the phone or the fax. The installed base of desktop ISDN video systems in the European SoHo market will be worth more than \$66bn in the year 2000

The Gartner Group predicts more than 30m people in the United States and 55m worldwide will "telecommute" in the year 2000.

Similar schemes have sprouted in other remote regions of Europe, such as Wales and the Scottish Highlands.

More and more people working from home need to access corporate networks," says Toon Bouten, European vice president for consumer business at Compaq.

Advances in computer and communications technologies have made this possible and the IT industry is, not surprisingly, one of the keenest fans of teleworking.



Portofino, overlooking the Ligurian Sea: even in small towns and villages, the Internet is stimulating interest in teleworking

New inkjet colour printers

Continued from facing page

shelves of retailers, which usually will not stock more than half a dozen makes.

The aim, according to Canon's product development analyst Mr Julian Rutland, is to take advantage of the spread of digital cameras and Photo CD technology to enable home users to produce their own illustrated documents, such as brochures, newsletters and Christmas cards.

Up to now, most colour inkjets have been too slow to cope with volume production of full colour literature, although they are useful for inserting a few colour images into a document to enhance its impact, but as the speed of inkjets continues to improve, they could soon become much more capable of handling such a task.

Demand for ISDN: Integrated Services Digital Network - By George Black

Internet pushes ISDN into the home

In Germany, ISDN is already a household word among the growing army of home office workers

The fast-growing interest in the Internet is creating demand for digital telecommunications in the home office.

business are starting to migrate from modems to ISDN. But in the UK the pricing of ISDN and general ignorance of its potential benefits have so far combined to prevent most SoHo workers taking it up, according to Mr Nevill Florey, marketing manager for communications specialists Rascal Data Group.

Most self-employed people have never heard of ISDN," he says, "and most of those who have heard of it find it is still too expensive".

European countries in the past couple of years, but mainly among larger companies.

for two years. BT's ISDN business development manager Ms Emmanuelle Siary says that the cut from £400 to £199 in the connection charge will increase the number of SoHo users dramatically, even though there are higher charges for line rental - "it should help small businesses, which face cash-flow problems, by spreading the cost over two years," she says.

Challenge

Developments in the use of colour could help HP and Canon to withstand the challenge. They have introduced new inkjet machines which are capable of generating photographic-quality colour.

Recent market research by NOP Research Group suggests that Internet users for

workers to operate more efficiently, with separate lines for the PC and fax machine, and for personal and business calls. It is equivalent to having a small switchboard in the home or a direct dial in (DDI) service.

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Advertisement for Unisys with large text: 'It takes two things to run a global bank. One of them is money.'

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When information is everything.

Directions: new media

DVD systems
New 3-D worlds, just a click away

Continued from page 6

aging director of Global Beach. "A key feature of the Porsche promotion is that users can install the program with just one click, the software does everything else."

As communications technologies improve, the Internet will become a powerful medium for not only interactive advertising but also in accessing business information in new, and possibly more effective ways. Technologies such as the Moving Worlds Internet standard provides 3-D worlds through which the user can move around in a virtual space.

Originally promoted by the pioneering graphics workstation company, Silicon Graphics, Moving Worlds has attracted widespread interest and support from more than 50 companies including Netscape, IBM and Apple Computer. Silicon Graphics is offering web site development tools that allows companies to create web sites based on Moving Worlds.

Advantages

Pointcast, with its multimedia network that broadcasts news, features and interactive advertising to users, is another innovative use of the Internet. A key advantage of Pointcast is that much of the graphics and animation files are downloaded once, allowing the company to save bandwidth by sending out updates rather than the whole package. Corporations can also set up their own private Pointcast networks sending multimedia data to staff over their intranets.

Soon, as Internet, DVD and other PC technologies continue to merge, users will not really know exactly where the multimedia content for their business or entertainment applications is coming from.

Converging products and services - By Geoffrey Wheelwright
Users baffled by range of options

With rapid advances in IT and new media, potential users are unclear about what systems will really deliver

It is almost trite to talk about technology convergence in today's business environment. It is everywhere - with computers that fax, fax machines that have computer memories, new telecommunication services, television deals that spawn online services, movies with World Wide Web tie-ins... and the list goes on and on.

The danger in all this convergence is that ordinary consumers - whether at home or in business - find themselves bewildered by what is on offer: sad stories abound throughout the information and communications industries about how it is falling wide of the mark in educating potential users about its converged products and services.

Consider the story of the company that organised a "focus group" to show off its new system for accessing the Internet's World Wide Web through a TV set. One by one, people were brought in to see the system and shown how to use the remote control to "surf" from page to page on the Internet.

Smooth-talking advertising types ushered a New York construction worker into a demonstration booth and showed him a Web page with all kinds of sports information. They explained how it worked - then retreated behind a two-way mirror to watch how their visitor used the system.

They waited as the construction worker just sat and stared blankly at the screen. After ten minutes, an organiser went into the room and asked the visitor why he wasn't doing anything - "I'm waiting for the movie to start," he replied.

This response is a classic example of how technological convergence needs to be accompanied by clear explanations to users about exactly what the technology will really deliver. The user, in this case, had no idea that he was not dealing with a passive medium, such as television - after all, the service was being delivered via a TV set.

It is against this backdrop that converged devices such as the \$329 Philips Magnavox WebTV was launched in the US recently. WebTV is designed to be an easy and cheap way to use the Internet and World Wide Web, using a small device hooked up to a standard TV. And it comes via a consumer electronics company that carries the pedigree of having successfully co-introduced (with Sony) the compact disk to the world - and it uses software from an independent company, called WebTV, to do it.

The WebTV box looks like a small desktop computer without a monitor. It plugs directly into a standard TV set to give users access to the Internet. According to PCED senior vice president Ed Volkwein, there is high demand for easy access to the Net through any TV receiver and standard phone lines.

"Our research shows that while US consumers have a general awareness of the Internet, the cost of hardware is perceived to be prohibitive," he says. "Consumers want accessibility to the Internet without investing in a home computer... they want to experience the Net in the living room, at an affordable cost."

Surveys show that parents think Internet access would be "a great way for their children to complete projects for homework," he adds.

But there is some concern about access to content they feel might be inappropriate. Philips has a built-in "parental control feature" in WebTV that is supposed to limit access to Web pages that are inappropriate for children. The WebTV system also features a "Kids" icon, which children can use to "take interactive field trips, access reference resources, and other youth-oriented features."

The Philips WebTV marks the first test of the low-cost "Internet computer" concept from a leading consumer electronics company and will be watched closely by competitors throughout the Christmas season.

But according to Michael Goreman, a partner with the New York-based management consultancy, Mitchell Madison, the trend toward convergence is "heavily over-blown" - particularly in the media market. He suggests that technology has instead led media markets to fragment and diverge.

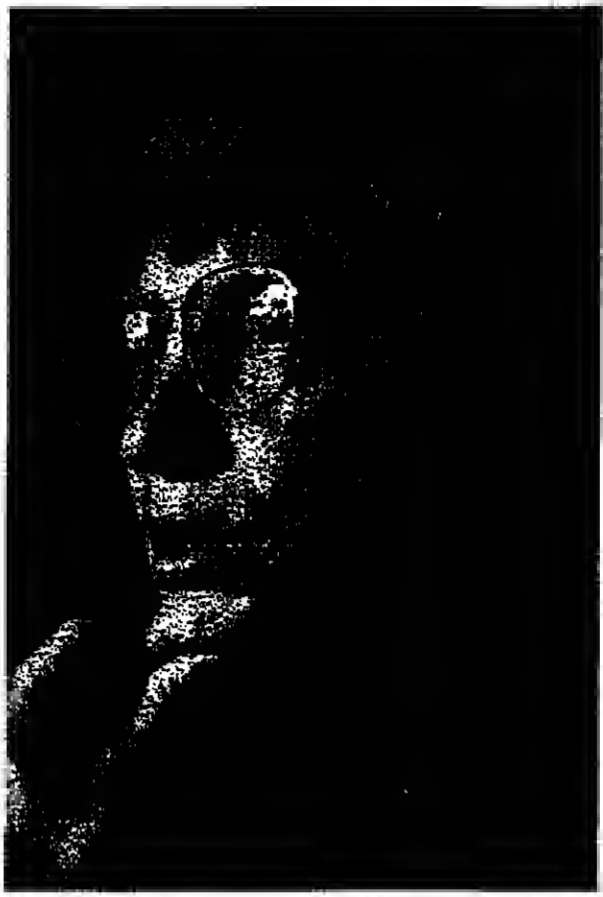
Media market participants need to maintain a strong focus - "rather than throw everything in the pot" in pursuit of the opportunities that a converged market supposedly offers.

The key to profitability in

'Media market participants need to maintain a strong focus'

the media sector is based on seven principles, he believes. "Focus on one medium at a time and don't over-estimate synergy [between media]; aim for leadership in your core market; consolidate your position in a media category; target vulnerable leaders; invest for the long haul; make it affordable; and expect declining market interest over time."

Ironically, it appears that one of the biggest representatives of the "convergence" trend is following much of this advice. In its recent announcement of a vastly revamped Internet online service, software giant Microsoft presented many of the same ideas for the future of MSN, the Microsoft Network. The company is describing the new service - which resides entirely on the World Wide Web - as a chance to "redefine what it



Bill Gates on bringing new products to market: "We have enough money in the bank - and money comes in every day, so we can afford to do things on a long time-scale"

means to be online."

Part of the Web content is available free to all Internet users, with the rest requiring the payment of a monthly fee to be a full MSN member. As part of the content for its members' service areas, it has introduced a new TV-style concept, called "Web-shows". These original presentations are divided throughout six different channels and Microsoft promises "they will offer a completely new Internet experience for people with different interests and lifestyles."

In addition to a big range of originally-programmed Web-shows that will make their debut with the new service, other OnStage features include news from the jointly-programmed MSNBC venture with NBC television and a subscription to Michael Kinsley's Slate political magazine.

The nature of MSN's Web-shows range from the low-brow "15 Seconds of Fame" (which gives members a chance to offer their stories about "memorable" life events, such as "the first time I got drunk") to more philosophical shows such as "Retrospect 360 Degrees", designed to offer a multimedia view on topics such as "history of the future."

Microsoft is putting a lot of resources into the Web-shows and is commissioning a great deal of new material from third-party producers in an effort to boost non-Microsoft content. This is shown by the inclusion of shows such as Star Trek, Continuum and Entertainment Tonight on the MSN service.

In addition, MSN also announced a new pricing structure that includes what Microsoft called the "MSN Premier Unlimited" plan that offers unlimited access to the Internet for \$19.95 a month. There is also a new

Book review
Impact of IT on law reform

The Future of Law, by Dr Richard Susskind. Oxford University Press, 1996 (ISBN 0-19-826007-5); h/back, £19.99

Dr Susskind's book - probably the first significant appraisal of the possible impact of IT on legal practice and the administration of justice - has two audiences.

Firstly, it is aimed at an overt professional audience, defined by Susskind as "lawyers and members of the legal profession".

Secondly, and more importantly, Susskind hopes to appeal to a new audience: a wider one with, as yet, vaguely-defined roles emerging from the convergence of information technology and the law.

Susskind says simply "the practice of law and the administration of justice will be more radically affected by IT than by any other single factor of which we can be aware today".

Those who will be involved in this process of change - what amounts to a "re-engineering of law and how it is used" - comprise the second audience that Susskind identifies.

Opportunities

The emergence of a new kind of "legal service provider" to challenge traditional lawyers is an example of the new opportunities Susskind sees. He suggests this will happen within the structure of a re-engineered legal system where lawyers are sources of information, service providers package, market and distribute legal services and solicitors' clients become "users".

He believes that increasingly legal services will cease to be the preserve of established legal firms and

Continued on page 12

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*Data based upon The Industry Centre Telecommunications Futures Report 1996.

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■ 'The Intelligent Island'

Technology underpins Tiger's hopes

The city-state's vision is of a high-tech society where knowledge flows freely



International focus: Singapore

Michael Dempsey reports from 'The Intelligent Island'

The angular giant that is United Overseas Bank sits on the south side of the Singapore river, opposite the Empress Place building, an elegant relic of the imperial era.

A huge bronze bird, a monumental sculpture by Fernando Botero, dominates UOB's forecourt. In case visitors fail to grasp the significance of the bank's location, a symbol of independent prosperity in the face of a flawed past, the UOB bird carries a plaque proclaiming the power of optimism.

Among the booming Asian Tiger economies, the city-state of Singapore is unique. A population of 3.2 million occupy an island the same size as London within the M25 corridor. Like the urban nations of the Italian Renaissance, Singapore relies totally on trade. It has no natural resources. Practically the entire city has been rebuilt over a mere 20 years and exudes absolute optimism.

This is an attitude the government is happy to see in its population, but it has no intention of leaving future success to fate. The government is painfully aware that today's economic prowess could be swiftly eroded as

neighbouring nations aspire to tiger status.

As part of an aggressive policy of maximising all economic resources, it has become the first government in history to focus on knowledge management as a tool of economic status. A healthy respect for *laissez-faire* capitalism is not allowed to stand in the way of intervention, when appropriate.

'IT 2000' is an ambitious \$200m scheme that involves pump-priming dozens of IT companies and underwriting



Computer systems at Singapore's International Money Exchange, Simex

key projects. The aim is to create a society where information flows freely and departments of state work in concert with private industry through paperless communication. This vision is frequently called 'The Intelligent Island'.

The grand plan, pursued by the National Computer Board (NCB) through eight clusters, centred on economic and user sectors, is envisaged as part of everyday life. The blue cars of Singapore's Comfort Cabs Company have begun to sprout radio receivers for the global positioning system pioneered by the US military. Local software house Knowledge Engineering received a \$377,000 government grant towards creating a \$30m fleet management system. This uses a geographical database of the island's roads system and lays taxi positions, constantly updated by the satellite-based GPS signals, on top of road routes. Dispatchers summo up the address of callers and look for the

little blue cab icon that is nearest to the customer. The system, due to roll out in 10,000 cabs, has irritated the trial drivers: they complain that passengers are accustomed to cabs turning up 15 minutes after they phone, and a GPS-equipped driver who promptly arrives in under five minutes usually has to wait for his fare to get ready.

Local skills

Companies queuing up to contribute to the Intelligent Island include the French software house, Ilog. (see profile, page 12). Ilog's local manager Mr Bounthara Ing believes that Singapore and its near neighbours will follow their own route in the information age. "Look at the way Asia has caught up: it's not been by using unique technology or different chips, but by making use of packaged technology. The real advantage has been in the skills of the people."

Asia's economic growth has created consumers, as

well as producers. In regional terms, Singapore is an expensive business location, but companies such as IBM and Hewlett-Packard manufacture systems there. Political and social stability combined with an educated and motivated workforce are building Singapore into a regional hub for far-sighted IT concerns. China remains the big prize, but activity can be co-ordinated from Singapore.

Ilog's Chinese University programme involves giving away software in order to foster a long-term market. Mr Ing admits that under the present climate systems that are not donated might be pirated anyway. But Ilog is giving \$81m worth of software to an academic programme based at Huazhong University. The staff at Huazhong will recruit other institutions into a scheme to present industry-related products using Ilog's software development environment.

The NCB promotes ambitious projects with vigour



The export of electronic components is crucial to the economy

and funding. But dollars alone are not the key to success. Singapore's love affair with IT-based productivity enjoys serious political backing. The semi-official *Straits Times* frequently leads with the speeches of government ministers, such as environment and defence minister Mr Teo Chee Hean, extolling the virtues of multimedia networks and smart cards.

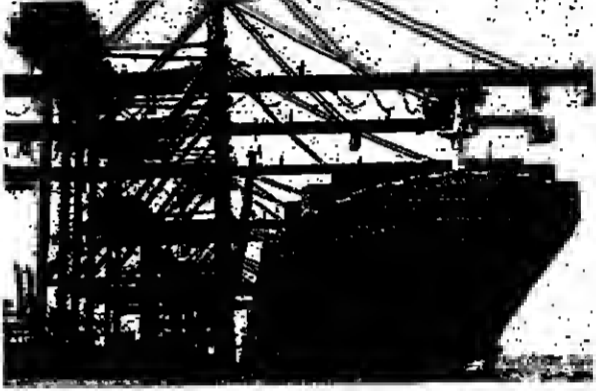
This drive for IT supremacy has not all been plain

sailing. The arrival of the Internet in a society where rigorous official control is a fact of life has created problems. "A balance must be struck between free access to information and the need to maintain the values of society," was prime minister Mr Goh Chok Tong's observation on the information superhighway.

The government has announced that regulators will scan Internet sites

related to politics and religion, partly in an effort to block any attempts to incite racial hatred in a multi-ethnic society.

Up to 10 per cent of citizens regularly use the Internet, with 100,000 accounts opened so far. Singapore Telecom is expanding its data transmission capacity aggressively, and with 20,000 households connected every month, the Internet can only become more popular.



The port of Singapore. Mr Bounthara Ing, pictured left, of Ilog, says: 'Our real advantage is the skills of the people'

■ Computerised Port Authority

Harbouring even larger ambitions

The largest single container operator in the world is using IT to maintain its position

As passengers flying into Singapore are greeted by a startling illustration of the island's trading status: hundreds of container vessels moored in the Straits, waiting to enter the port.

The Port of Singapore Authority handles 400 vessels every day. Mr Eric Lui, a former marine engineer who moved into IT in 1981 and now directs information systems for the PSA, is responsible for finding new ways to squeeze extra value out of this huge operation.

Mr Lui's world is dominated by the container industry metric of Twenty Foot Equivalent Units, or TUs. A 40ft-long container counts as two TUs, and ports are rated in terms of the number of TUs they process.

The PSA claims to be the world's largest single container operator, with 21 million TUs processed in 1995. Arch-rival Hong Kong matches Singapore's productivity, but only through the efforts of three separate operators. The PSA anticipates handling 16 million TUs a year as it maintains an annual growth rate of around 10 per cent.

The port is the key to Singapore's status as a financial and logistics centre. Transshipment, shifting containers from large bulk carriers on to smaller vessels for regional delivery, is its core activity.

A huge proportion of goods moving between Asia and the West passes through the PSA's hands. Mr Lui knows that competition for this lucrative trade can only become more intense. "We are fighting hard to maintain Singapore as the world's number one port," he says.

Activity

From the sea, the high-rise business centre of Singapore is obscured by a forest of cranes lifting and shifting containers. This frantic activity is co-ordinated by 28 planning staff. With around 400 cranes active on the quays, movements have to be limited and planned meticulously to avoid collisions and blockages. Ten years ago the PSA employed 25 planners, but they only handled 2m TUs.

The PSA's first venture into advanced software began in 1988, as it struggled to manage an explosive growth in traffic. It wrote a knowledge-based system, incorporating the professional expertise of its planners, but the KBS school of software proved inflexible in a constantly shifting environment.

The PSA turned to software building blocks from Ilog in order to boost the productivity of its in-house developers. The idea was to equip them with programs that would promote the creation of small, local working routines. "Ilog's contribution is to provide a tool that allows our developers to put various forms of logic into use. The programs that result can help to increase productivity," says Mr Lui. "We wanted to write software that would send crane operators in the right direction, generating instructions to treat bottleneck areas of a ship by allocating that job to the most experienced crane driver."

The PSA has implemented four suites of planning software, addressing ship, yard and berth planning with an integrated dynamic planning system. Development costs amounted to around \$10m. One Stratus fault-tolerant computer sits at the heart of the PSA's planning section, in an air-conditioned block decorated with outstanding performance awards. Pride of place belongs to a citation for 229 container movements from one Danish Maersk Lines ship inside one hour, in July 1997.

A bank of screens shows shipping data and live closed-circuit TV images of activity on the quays. Each screen running the planning

Continued on facing page

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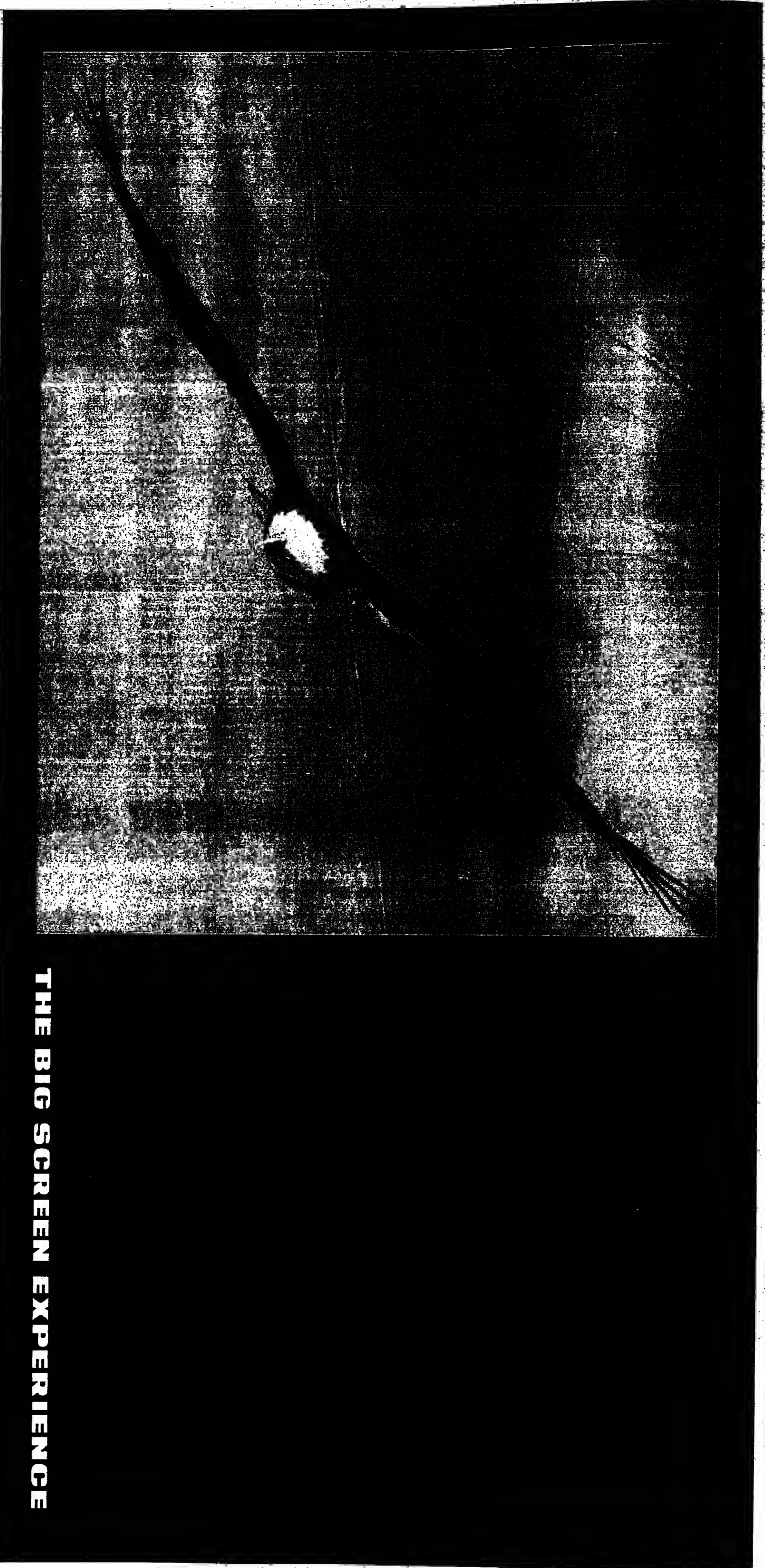
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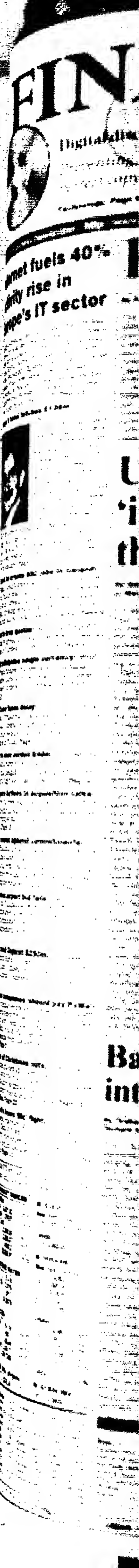
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